هكذا من الأصل

Austria	Sch22	Indonesia	Rp3100	Portugal	Esc100
Bahrain	Din0.650	Israel	NIS3.50	S.Arabia	Rls7.00
Belgium	BFr46	Italy	L1600	Singapore	S$4.10
Canada	C$1.00	Japan	Y600	Spain	Pta125
Cyprus	C£0.75	Jordan	Fils500	Sri Lanka	Rup30
Denmark	DKr9.00	Kuwait	Fils500	Sweden	SKr9.00
Egypt	E£2.25	Lebanon	$US1.25	Switz	SFr2.20
Finland	Fmk7.00	Lux	LFr48	Taiwan	NT$85
France	FFr6.50	Malaysia	Rm4.25	Thailand	Bht50
Germany	DM2.20	Mexico	Pe300	Tunisia	Din0.800
Greece	Dr100	Morocco	Dh6.00	Turkey	L500
Hong Kong	HK$12	Neth	Fl3.00	UAE	Dh6.50
India	Rup15	Norway	Nkr10.00	USA	$1.00

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,430 Wednesday January 6 1988 D 8523 A

Senegal revives in freer economic climate, Page 3

World News

Syria steps up Gulf peace initiative

Syria stepped up its diplomatic drive to defuse the Gulf conflict and prevent a new Iranian *ground offensive against Iraq* on the south-west front opposite Basrah. **Page 20**

Meanwhile Iran extended military service by four months to 28 months for all conscripts, including those already at the war front with Iraq. The decision followed reports that Iran was massing tens of thousands of troops for a fresh offensive against Iraq

Stealth bomber delay

The first scheduled flight of the top-secret US Stealth bomber was postponed for four months – a delay that could cost the Government $250-$500m or more, the Los Angeles Times reported.

Boeing probe ordered

The US government ordered *emergency inspection of a bolt* on certain Boeing 737s airliners after one lost an engine after *taking off from Philadelphia* last month. The bolt attaches the engine to the wing of about 1,000 737s in service worldwide, including about 420 in the US.

N-sub for India

The Soviet Union handed over a nuclear-powered submarine to India in a lease agreement that made India the second Asian nation after China with nuclear-powered warships in its fleet.

Hamadei hostage plea

Lebanese-born Abbas Ali Hamadei denied involvement in *the kidnapping of two West Germans* in Beirut at the start of his trial in Dusseldorf - and appealed *for the release of one still being* held hostage. **Bonn spurns deal, Page 2**

Finance chief held

The president of Norwegian finance company Midas was arrested and charged with 50 other people with violating foreign exchange laws following allegations that $1.5m was illegally exported from Norway and loans worth $100m were arranged but never paid out. **Page 2**

Basques detained

Police detained 11 French Basques suspected of harbouring separatist guerrillas in a series of *raids in south-west France.*

Farmers plan demos

West German farmers announced plans for nationwide protests against lower earnings and urged the Government to fight EC proposals to cut agricultural prices.

Spanish rail strike

Spanish railway workers called a one-day national strike for Friday after talks on manning levels broke down.

Salvador rebel attack

Three Salvadorean soldiers were killed when leftist guerrillas *attacked an important frontier* post on El Salvador's border with Honduras, the military said.

Colombian ceasefire

Colombia's main left-wing guerrilla group, the pro-Moscow Revolutionary Armed Forces of Colombia, promised to observe a unilateral ceasefire before and during local elections set for March – and to try and persuade other guerrilla movements to join in.

Spaceflight 'unsafe'

Two years after the Challenger *space shuttle disaster, Nasa still* lacks the engineers, guidelines or leadership to ensure the safety of manned spaceflight, a report by safety experts said. **Page 4**

Dutch ozone pact

The Dutch Government signed an agreement with manufacturers to reduce the use of aerosol sprays blamed for damaging the earth's protective ozone layer.

UK and Kenya differ

Britain and Kenya agreed to differ over the merits of economic sanctions against South Africa. **Page 3**

Business Summary

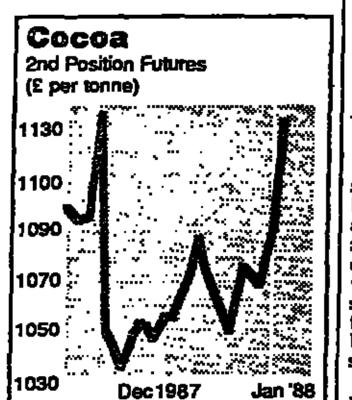
Bush urges banks to write off more debt

Mr George Bush, US Vice-President, urged commercial banks to write-off part of their loans to developing countries in an effort to resolve the Third World debt crisis. **Page 20**

PAN AMERICAN Satellite of the US, which plans to set up the first competitive transatlantic telecommunications satellite service, has asked President Reagan to stop Cable & Wireless of the UK expanding in the US until Britain opens its market. **Page 20**

SEARS, UK footwear group, increased its cash offer for mail *order group Freemans, valuing it* at $477m ($891m). **Page 21**

COCOA PRICES soared in London and New York on news that the International Cocoa Organisation is to hold an emergency



session to restore its price support mechanism. The second *position contract on the London* Fox closed up $45 at $1,134 ($2,126) a tonne. **Page 30**

WALL STREET: the Dow Jones industrial average closed up 16.25 at 2,031.50. **Page 42**

LONDON: Continued recovery in the US currency led to a sharp *rise in UK equity turnover. The* FT-SE 100 index closed 42.1 up at 1,789.6. **Page 38**

TOKYO: Share prices rose sharply after the dollar's rally against the yen and the overnight advance on Wall Street, although the market slowed towards the close. The Nikkei average ended 358.24 higher at 21,575.28. **Page 42**

DOLLAR closed in New York at DM1.6310, Y127.80, FFr5.5130, SFr1.3300. It closed in London at DM2.9775 (DM2.975); Y233.25 (Y230.25); FFr10.07 (10.05); SFr2.4275 (2.41). **Page 31**

STERLING closed in New York at $1.8250. It closed in London at $1.83 ($1.876); DM2.9775 (DM2.975); Y232.25 (Y230.25); SFr2.4275 (SFr2.41); FFr10.07 (FFr10.05). **Page 31**

ORENSTEIN and Koppel, construction machinery subsidiary of West German Hoesch steel group, agreed to take over key parts of PHB Weserhuette, materials handling group which filed for bankruptcy last week. **Page 21**

HAWLEY GROUP, international services company, is to transfer *ownership of Cope Allman from* one associate company to another in a deal that values the amusement machine, *packaging* and engineering group at £210m ($394m). **Page 24**

RECKITT and Colman, British pharmaceutical and household products group, agreed to sell its Australian wine operation to local management in a deal reputed to be worth A$50m-*A$60m ($36m-$43m).* **Page 21**

SHELL INTERNATIONAL *Chemical Company, part of the* Royal Dutch/Shell Group, has offered to buy the Singapore Government's 50 per cent stake in the Petrochemicals Corporation of Singapore. Temasek, Singapore Government holding company, yesterday valued the entire complex, 50 per cent owned by a consortium of Japanese companies led by Sumitomo Chemical Company of Japan, at S$2bn ($4bn). **Page 25**

BRITISH PETROLEUM, UK oil company, issued a slightly improved 1987 profit forecast of £1.3bn ($2.4bn) from the previous £1.25bn to take account of the fall in the value of the dollar and slightly lower than expected crude oil prices. **Page 24**

Soviet Union goes publicly to market after 70 years

THE Soviet Union yesterday ended a 70-year absence from international public bond markets when a state bank made a SFr100m ($77.8m) issue in Switzerland, its first public borrowing on Western capital markets since the 1917 revolution, **writes Clare Pearson in London.**

The borrower was the Bank for Foreign Economic Affairs of the *USSR, which handles the country's* foreign financing needs. It was known until the turn of the *year as the Bank for Foreign* Trade, but changed its name as part of a restructuring of the Soviet banking system.

The Soviet Union has been active in other capital markets, raising, for example, a long series of internationally syndicated bank loans. But until recently, it faced barriers to borrowing *in public markets* – where bonds are listed on a stock exchange and so can be bought by ordinary investors.

Western creditors for long were embroiled in disputes over *claims on pre-revolutionary Russia.* The most important of such arguments was settled in 1986 when Britain and the Soviet Union reached an agreement on settlement of bond claims.

The resolution immediately *raised the prospect that Moscow* would tap the London-based Eurobond market. Yesterday's move to test *the waters in Switzerland* instead caused some surprise among international bankers.

They said it seemed ambitious to launch the ground-breaking *issue in the Swiss market, given* the renowned conservatism of Swiss investors. Though some small Swiss investors might be changing their view of the Soviet Union in the light of President Gorbachev's glasnost policies, bankers said the bond was likely to bought chiefly by institutions.

The 10-year bond issue was *lead-managed by Bank fuer Kredit* und Aussenhandel, a Swiss bank owned by West German *banks which have commercial* links with Eastern bloc countries. Last year, BKA arranged a SFr50m loan for the Soviet bank.

The pricing of the year bond was designed to reflect the perceived extra risk of lending money to a Soviet institution. Its interest coupon is indicated at 5 per cent, which compares with about 4¾ per cent which a top quality foreign name would currently expect to pay in Switzerland. *Final terms are not yet* fixed.

BKA was still assembling an *underwriting group yesterday.* The issue was expected to be supported mainly by other West German banks with links with Eastern bloc countries.

Though Moscow Narodny Bank has issued bonds in the *London-based Eurobond market,* it had been treated as an exception to the bar on Soviet borrowers *because it is incorporated in* the UK and is thus technically a British bank.

Though it appeared that there had been no direct ban on *issuing Soviet bonds in Switzerland,* bankers said the UK dispute had been an important obstacle to making an international bond issue.

Central banks move to underpin rally in equities and dollar

BY SIMON HOLBERTON IN LONDON AND JANET BUSH IN NEW YORK

THE DOLLAR was boosted to pre-Christmas levels and a strong *recovery in share prices on* world stock markets was underpinned yesterday by a surprise joint foray into foreign exchange markets by European and North American central banks.

After a morning of relative strength for the dollar, central banks entered the market in the afternoon in a well advertised and co-ordinated move. The purchases, though not thought to be very large, were seen as a clear signal to speculators that they faced the possibility of large losses if they continued aggressive selling of the US currency.

The strength of the dollar, which rose more than Y4 and 4 pfennigs on the day in London, helped equity markets focus on the buoyant outlook for their domestic economies and share prices rose substantially for a second successive day. The dollar held onto its gains in New York, closing at Y127.80 and at DM1.631.

In London, where share trading volumes were higher than of late, the FT-SE 100 Share Index *closed 42.1 higher at 1,789.6 on* what analysts and traders described as solid buying across *the board. The FT Ordinary* Share Index rose 35.1 to 1,437.1.

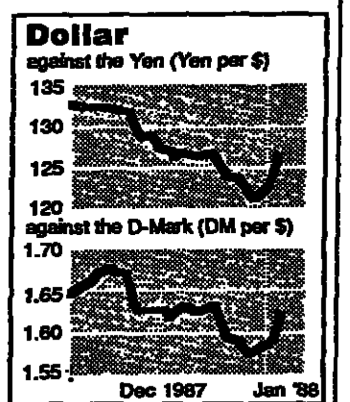
US financial markets soared in *early trading in response to the* dollar's strong rally in Japan and Europe. On Wall Street, the Dow *Jones Industrial Average jumped* 50 points in the first 15 minutes then slipped back to finish with *a gain of 16.25 at 2031.50.* US Treasury bonds gained a full percentage point immediately after the opening. The US Treasury's long bond closed up ⅝ to yield 8.86 per cent.

There was some concern on Wall Street about whether the gains this week in equity and bond prices could be sustained. "The faster it goes up, the sooner it comes down," one dealer said.

European monetary officials said the central banks' aim was trying to create an atmosphere in which the currency markets would be wary of selling the dollar for fear of central bank intervention. The extent of the fall in the dollar last week had been simply "too much," one European central banker said.

Foreign exchange traders said the intervention successfully arrested the dollar's slide. *Although few thought the medium-term* outlook for the US currency was bright, they said the *resolve of central banks to intervene* created conditions of uncertainty in which heavy specula*tion seemed less attractive.*

Although most European central banks, and their US and *Canadian counterparts,* were



involved in yesterday's intervention the Bank of England was notable by its absence.

The British Government insists that it is still committed to international action to stabilise *exchange rates.* The Bank's absence, however, from the foreign exchanges this week *appears to suggest that official* enthusiasm for intervention has been depressed by the refusal of *the US to raise interest rates.*

French monetary authorities yesterday cut key money market *interest rates.*

French interest rates, Page 2; Gilts auction, Page 8; Currencies, Page 31; Lex, Page 20

UK currency reserves double to $44.3bn

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT, IN LONDON

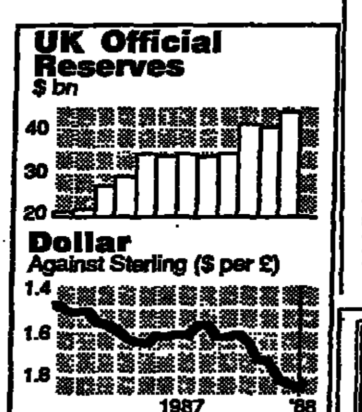
BRITAIN'S foreign currency reserves more than doubled last year to $44.3bn as a result of the Government's massive intervention to cap sterling's rise against the D-Mark and to support the dollar.

The intervention, largely purchases of dollars, has exposed the Treasury to potential losses running into ***hundreds of millions of*** **pounds because of the US currency's continuing slide** ***throughout 1987.***

Official figures released yesterday show a further wave ***of intervention*** **in December. Excluding foreign currency borrowings and repayments, there was an underlying rise in the reserves of $3.7bn.**

As in previous months, the increase reflected the Bank of England's efforts to hold sterling below the Treasury's unofficial ceiling of DM3.00 and, to a lesser extent, its contribution to international support for the dollar.

Over the whole of ***1987,*** **there was an underlying** ***increase*** **in the reserves of** ***$29.5bn.*** **Although the Treasury refuses to give details of actual intervention, officials acknowledge that this** ***figure***



Continued on Page 20

Hoffmann-La Roche offer for Sterling helps lift shares

BY JAMES BUCHAN IN NEW YORK

STOCK IN Sterling Drug, the diversified US drug company, rose sharply *in early trading yesterday* in response to an offer of $72 a share, or about $4.2bn, *from Hoffmann-La Roche, the* large Swiss pharmaceuticals group.

Sterling Drug was up $17⅛ by mid-morning and closed with a gain of $17¼ at $74⅛ after 3.73m shares changed hands in busy trading. The Hoffmann-La Roche offer, the largest ever in the worldwide pharmaceuticals industry and one of the biggest anywhere, helped send the US stock market sharply higher.

Wall Street analysts said the offer could herald a number of big takeovers by foreign companies anxious to break into the US market. Both the dollar exchange rate and US stock prices have fallen sharply since last summer.

However, analysts said that Hoffmann-La *Roche*, which has about 10,000 US employees and had sales of about $1.5bn in the US last year, might have to fight hard for Sterling Drug.

The New York-based company made no public comment yesterday morning, but analysts *believe Sterling Drug might* defend its independence or seek a higher offer.

"There could be a bidding war and the price could go higher than $80," said Dr Jonathan Gelles, an analyst at the Wall Street firm of Wertheim Schroder.

Mr Fritz Gerber, chairman of Hoffmann-La Roche, said late on Monday that the Swiss group would immediately offer $72 a share in cash for Sterling Drug, which in 1986 had sales of about $1.99bn from pharmaceuticals, household and personal products and over-the-counter remedies.

In a letter to Mr John Pietruski, *Sterling Drug's chairman, Mr* Gerber said Hoffmann-La Roche would keep the group's management in place and was ready to begin negotiations immediately. "Our offer is not contingent on financing, due diligence or further review of your business," Mr Gerber said.

"We expect that, following consummation of this transaction, Sterling Drug would continue to operate as it has in the recent past," he said.

Sterling Drug, which in 1986 reported net income of $171.5m, or $2.91 a share, is known for a number of strong non-prescription drugs and consumer products. These include Bayer aspirin, Panadol painkillers, Phillips Milk of Magnesia, Lysol cleaners and pHisoHex skin treatments.

Analysts believe that Hoffmann-La Roche is principally interested in Sterling Drug's over-the-counter drug operation and its smaller ethical drug business. "Our respective strengths in the ethical and over-the-counter markets are highly complementary and offer significant opportunities in each of these fields," Mr Gerber said in his letter.

Lex, Page 20; Trying to grow over the counter, Page 18

Saudis drop plan to tax foreign workers

By Finn Barre in Riyadh and Richard Johns in London

SAUDI ARABIA yesterday abandoned plans to impose income tax on expatriate workers in the Kingdom.

The tax proposal, first mooted on Sunday, had raised the prospect of a mass exodus of foreign professional and skilled personnel from Saudi Arabia. Their earnings would have been hardest hit by the proposed 30 per cent top tax rate on annual incomes of over SR66,000 ($17,600).

Fringe benefits, which are an important element in remunerative packages for many foreign workers in Saudi Arabia, would also have been included in the tax proposals.

The official Saudi Press agency, announcing the reversal, quoted a Saudi official as saying, "King Fahd has ordered the cancellation of an announcement regarding income tax on foreigners."

Part of aim of the tax plan was believed to be an attempt to increase employment opportunities for Saudis. But observers believed that the loss of expertise resulting from the crude reimposition of an old tax regime – Saudi Arabia last taxed foreign workers' earnings in the early 1970s – could have had a dire effect on economic activity and development. The blow to health services, in particular, could have been devastating.

The income tax proposals would have hit the estimated 25,000 UK citizens working in Saudi Arabia particularly hard since they have already suffered as a result of the declining value of their Riyal-denominated salaries. The riyal is linked to the dollar because the Kingdom's oil revenues are

Continued on Page 20

Israel reacts strongly to UK minister's visit

BY OUR JERUSALEM CORRESPONDENT

ISRAELI TROOPS shot and killed at least one Palestinian in a fresh flare-up of violent unrest in the occupied Gaza strip yesterday as politicians reacted furiously to outspoken criticisms by a UK minister.

Mr Yitzhak Shamir, the Prime Minister, saw Mr David Mellor, the British Foreign Office Minister, last night for what the Israelis described as "very frank talks".

This followed Mr Mellor's remarks during a visit to Gaza on Monday, in which he said conditions in the Jabalya refugee camp were "an affront to civilised values" and blamed Israel.

He also publicly rebuked an Israeli colonel for arresting a Palestinian youth.

Though both sides were trying to limit any damage caused by Mr Mellor's criticism of Israeli policy in the occupied territories, the confrontation has undoubtedly strained the normally close ties between the countries.

President Chaim Herzog accused Britain of "cynicism and hypocrisy", while a leading MP from the right-wing Likud bloc, Mr Eliahu Ben-Elissar, cancelled a working lunch he was to have had with Mr Mellor.

Mr Shamir's spokesman, Mr Avi Pazner, said after last night's meeting that the Prime Minister shared British concern at conditions in the camps, but had told Mr Mellor that they were being exploited for the purposes of Arab propaganda.

He said that if Britain wanted to play a role, it should persuade the Arab states to negotiate.

Mr Ariel Sharon, Minister for Trade and Industry, said Mr Mellor talked like a man who "does not know that Great Britain is not ruling any more this country".

Meanwhile, Arab states attempted to maintain the pressure on Israel by requesting an immediate meeting of the United Nations Security Council to discuss the situation in the occupied territories. The Council may meet today.

Tension is also running high between Israel and Egypt.

Police in Cairo yesterday quelled the second violent anti-Israel demonstration in a week, while Mr Shamir sought to defuse persistent criticism from Egyptian President Hosni Mubarak by assuring him that Israel was trying to calm the situation.

In yesterday's Gaza clashes, a woman was shot dead and eight other Palestinians wounded, bringing the overall toll from the recent weeks of disturbances to at least 25 dead and 200 wounded.

According to Israeli sources, the woman was hit with live ammunition on the roof of her house when soldiers fired in the air to disperse rioting youths.

The pro-PLO Palestine Press Service reported that a 25-year-old man was also killed when Israeli troops opened fire on protestors. Teargas was used to quell disturbances in Arab East Jerusalem and the West Bank.

● *Prime Minister Yitzhak Shamir* yesterday told Egypt, the only Arab country to sign a peace treaty with the Jewish state, that Israel was trying to achieve calm in the occupied West Bank and Gaza Strip, **Reuter reports from Jerusalem.**

"Israel is trying to calm the situation in the territories and bring things back to normal for the good of the local population and out of an awareness that calm will enable us to continue efforts towards peace," he said in a message to President Hosni Mubarak.

It did not refer to an Israeli plan to expel nine Palestinian activists following riots over the last month in the West Bank and Gaza.

Egypt has criticised Israel's use of force to quell the unrest and warned there will be grave repercussions if the Palestinians are expelled.

CONTENTS

CATALYST THAT MAY RESTORE HONG KONG'S CONFIDENCE

Mr Robert Fell, stock exchange chief executive, credited with securities industry changes, Page 19

Pay farmers to leave arable land idle says EC Commission

BY TIM DICKSON IN BRUSSELS

EUROPE'S arable farmers will be urged to take at least 20 per cent of their land out of production, under a controversial scheme to be unveiled by the European Commission in Brussels today.

The plan will involve compensation payments of Ecu200 ($139) to Ecu600 per hectare (reflecting the variations in income from different types of land) and according to rough calculations by officials could result in around 1m hectares, and possibly much more, eventually being taken out of use.

The eagerly awaited "set aside" proposal is significant not just because it is another way of tackling Europe's increasingly costly farm surpluses but because it could unblock a major obstacle to reform of the European Community's whole system of financing (including better controls on agricultural spending).

That issue was left unresolved after last month's meeting of EC Heads of State in Copenhagen and will again be tackled at an emergency summit meeting in Brussels on February 11. This meeting is now widely seen as the last real hope of averting a major EC budgetary crisis later in the year. At the moment the Community is operating without a budget for 1988 and the emergency arrangements currently in force will not be adequate to finance policies much beyond June.

Plans to pay farmers who volunteer to take land out of production were first outlined to EC agriculture ministers last month when it became clear that some form of set aside was a necessary precondition of West German agreement to the whole package of EC budgetary reform.

In particular Bonn is alarmed by the proposals for agricultural "stabilisers", which would imply cuts in the EC's guaranteed prices for cereals and a range of other products once specific output limits had been breached. Bonn is insisting on production controls as at least a complement (some suspect a substitute) for greater price discipline.

The Brussels executive is now firmly committed to the set aside principle but major technical and political problems remain.

Last night it was not clear exactly what shape the final set aside package would take, but it is expected that to qualify for payments farmers will have to take at least 20 per cent of their arable land out of production for five years. This means that land used for all crops, including sugar beet, potatoes, and oilseeds as well as cereals, can be selected.

Payments will be financed jointly by the Community budget and member states, with a 50 per cent share borne by the Community for the first Ecu200 per hectare, 25 per cent for anything between Ecu200 and Ecu400, and 15 per cent for Ecu400 to Ecu600. The payments will vary between regions depending on the quality of the land and yield.

A Commission spokesman admitted last night that one of the major concerns of Mr Frans Andriessen, the Agriculture Commissioner, was how to control the scheme and to prevent farmers increasing production on the land that remained (thus reducing the effectiveness in tackling surpluses).

It is thought that several Commissioners may insist that the 20 per cent set aside relates to output as well as land before the proposals are finally unveiled.

Such an approach would mean that the new scheme would be similar (if much wider ranging) than the so-called "extensification" measure adopted early last year and designed largely to encourage organic farming (using less pesticide and fertiliser). This scheme has already been taken up by Britain, which favours the set aside idea though only as a complement (not a substitute) for price cuts.

Another major problem in the recent negotiations has been what conditions should be attached to the land left idle. Many say that it should be left completely fallow but in order to satisfy French opinion it is understood that grass and fodder crops will be allowed, as well as forestry and non-agricultural uses.

The drawback here is that the arable problem could simply be transferred to the livestock sector (notably beef and sheep).

France cuts bank rates by quarter of a point

BY GEORGE GRAHAM IN PARIS

THE BANK of France yesterday cut its key interest rates by a quarter of a percentage point, taking advantage of the buoyancy of the French franc in the European Monetary system.

The reduction – which lowers the intervention rate to 7.5 per cent and the seven day repurchase rate to 8 per cent – brings the French central bank's interest rates back to their level in November, before it had to raise rates sharply to defend the franc.

Since then, the bank has three times reduced rates by a quarter percentage point, wiping out November's three quarter point increase.

After two similar interest rate reductions by the West German Bundesbank, the rate gap between the two countries has remained wide, allowing France some room for manoeuvre without jeopardising the franc.

The decline of the dollar over the last two years has frequently caused problems for the franc, which tends not to strengthen as much as the D-Mark from the US currency's fall.

In recent weeks, however, the franc has coped well with the renewed weakness of the dollar and then benefited from the US currency's recovery yesterday.

At yesterday's Paris fixing the franc stood at FFr3.3809 against the D-Mark, in the upper half of its permitted range within the exchange rate mechanism of the EMS.

The reduction in central bank interest rates is expected to provide an opportune boost to the French government bond market.

The Treasury yesterday announced the issue of a FFr 5bn ten year bond at 9.5 per cent, placed through a banking syndicate rather than through its usual auction procedure.

The issue is designed partly to ease the repayment of the 7 per cent 1973 "Giscard" bond, due this month, of which around FFr 30bn remains outstanding.

Support for Europe grows in Britain

By John Hunt

SUPPORT for the European Community is increasing in Britain even though the electorate knows little about the European Parliament, an opinion poll shows.

Market Opinion Research International (MORI) found that 87 per cent did not know the name of their Euro MP, and only 8 per cent could name the MP correctly.

However, 62 per cent said they would like to know more about the European Parliament.

The survey was carried out in August and September last year on behalf of the European Democratic Group, the Conservatives in the European Parliament.

It found that 48 per cent was in favour of Britain staying in the EC. This compares with 45 per cent in 1984.

The number who wish Britain to leave has shrunk from 55 per cent in 1984 to 39 per cent today.

Mr Christopher Prout, leader of the Conservatives in the European Parliament, said: "The report shows that the public's lack of knowledge does not appear to stem from a lack of interest. Rather it is due to a lack of exposure and a lack of opportunity to learn."

The survey also showed that two out of three were in favour of the unification of Western Europe and 56 per cent thought it would be a good thing for Britain. But there were also fears that Britain might lose her independence and identity as a result.

Belgium cuts deficit

Belgium's budget deficit dropped BFr 125bn ($3.78bn) to reach BFr 430.5bn in 1987, the first substantial reduction since the government introduced an austerity programme five years ago, **AP reports from Brussels.**

Italy likely to exceed budget deficit target

BY JOHN WYLES IN ROME

THE ITALIAN Treasury conceded yesterday that its thrice-revised budget deficit target for 1987 of L109,500bn($50bn) looks likely to have been exceeded in the light of the most recent figures.

These suggest that the deficit – Italy's central economic problem – may have risen to around L112,000bn, just over 11.2 per cent of gross domestic product and about L2,000bn higher than in 1986. Only last August, the Government brought in an emergency package designed to boost revenues by a further L3,400bn to avoid the deficit reaching just this level.

A Treasury spokesman said yesterday that the target set at the end of August was based on the best information on revenue and expenditure then available. "It is extremely difficult to produce precise estimates because financial administration is decentralised and controls are not all that strong," he added.

According to the latest figures, the total government deficit rose to L106,440bn in the first 11 months of 1987 – 2.8 per cent higher than in the same period of the previous year. On the basis of the December 1986 pattern of revenue and expenditure, the final deficit will be at least L112,000bn. This compares with an initial budgeted target for the year of L100,000bn which was revised by late spring to L103,000bn and then upwards again in late August.

Although revenues look likely to have risen by around 10 per cent, satisfactorily more than the 4.5 per cent estimated in the 1987 budget, government spending has also climbed by substantially more than estimated – by a probable 8 per cent compared to 1.4 per cent. The failure to meet original estimates on current expenditure is due largely to spiralling health service costs and extremely generous pay rises for public sector employees.

Italy's 1987 public spending performance scarcely lends credibility to the Government's 1988 deficit target of L103,500bn. The Government's struggle to shelter its 1988 budget proposals from parliamentary interference begins tomorrow when the budget committee of the lower house, the Camera, begins its scrutiny.

The outlook is not encouraging for procedural and political reasons. Having failed to secure passage of the budget before the end of 1987, the Government introduced emergency decrees on December 30 applying some of the revenue raising proposals in the budget package.

The procedural problems of dealing with the same sets of measures in two pieces of legislation look likely to be exploited by the Communist opposition in a bid to secure concessions.

At the same time, the budget is falling foul of rivalry between top Christian Democrat politicians, principally the leaders of the two budget committees of the Senate and the Camera. Mr Nino Andreatta, chairman of the Senate committee, favours maximum austerity and piloted through the Senate a budget largely along the lines proposed by the Government. Mr Paolo Cirino Pomicino, chairman of the Camera committee, belongs to a rival faction and is bent on putting his own imprint on the legislation which could raise the spending totals.

The end result is that the government cannot be confident of avoiding major amendments nor of securing passage of the budget by its deadline of January 31. In the meantime, those politicians who find it hard to take the deficit financing problem seriously are being reassured by current evidence of strong investor demand for government securities.

Ilona Staller: smouldering

Cicciolina bares her soul

By John Wyles in Rome

VIVIDLY displaying the controlled fury of a scorned pornostar, Ilona Staller, one of Italy's most publicised politicians, yesterday took the Radical Congress by storm with a speech in support of her candidacy for the party's top job.

Cicciolina, as she is better known, had sat for two days listening to senior figures from the country's most unconventional party making statements of regret about her election to parliament last June and of rebuke for the subsequent scant attention she had given to her parliamentary duties.

Her political career has taken her on to some of Europe's top chat shows where she has duly familiarised foreign viewers with that northern portion of her anatomy which was exposed to thousands of Italians during the election campaigns. Her somewhat more revealing stage performances, which reportedly involves a large snake and acts quite foreign to the domestic lives of maiden ladies, has been a sell-out throughout Italy.

In short, her exploitation of the Radicals has been rather more successful than the bonus she was supposed to bring to the party's free-thinking image. When she rose to speak at the Bologna Congress yesterday, Cicciolina, outwardly demure and baring no more flesh than appropriate, was smouldering particularly at a televised remark by one leader that she was "stupid".

In riposte she employed a variety of devices, from quoting Shakespeare's Julius Caesar to committing the odd and beguiling linguistic error forgivable in one of Hungarian birth, to demonstrate that stupid she is not. She won frequent bursts of applause for her confession of naivety and complaint that the 12 other members of the Radicals parliamentary group had tried to ignore her.

How could anyone with her "lack of weight" damage the radicals' lustrous image, she asked. Addressing some of her adversaries by name, she besseched one "not to turn your back when you meet me."

There is no report of how many dry eyes remained in the conference hall after her closing crescendo: "I am convinced that it would be a little easier to work together if everyone of you could see Comrade Ilona Staller beyond the pornostar Cicciolina."

The elections for the party leadership will be held today.

'Heavy lira' idea likely to be revived

BY OUR ROME CORRESPONDENT

THE ITALIAN Government is expected to revive within the next week or so the three-year-old plan to introduce the "heavy lira", worth 1,000 times the existing unit.

The previous legislation, which was pushed strongly by the government headed by Mr Bettino Craxi, lapsed with the Parliament which was dissolved last June. In the view of the government now led by Mr Giovanni Goria, the reasons for streamlining the Italian currency remain just as pressing.

In his regular weekly column for L'Espresso magazine, Mr Giuliano Amato, the Treasury Minister, wrote this week that with trillions beginning to appear, national accounts were becoming absurdly complicated.

Fears which had held up the previous legislation were no longer well based, he argued. Inflation was no longer rising so there was little danger that changing 1,000 lire into a lira nuova might push up prices.

More expansively, the Bank of Italy wrote at the end of 1986: "The damage to Italy's image abroad caused by today's virtual annihilation of the value of the lira is another reason for revising the monetary unit. Faced with often astronomic figures people unfamiliar with Italy and unaware of the strength of its industrial system can be misled into concluding that our economy is weak and fragile."

The proposals circulated by the Treasury for comment by other government departments contain only minor technical variations on the Craxi government's legislation. After adoption by the cabinet next week or the week after, it will be up to Parliament to demonstrate whether the Government is being over-optimistic in seeking passage of the reform by the end of the year.

Berlin arms cut plan worries allies

BY DAVID MARSH IN BONN

NUCLEAR disarmament proposals sent by Mr Erich Honecker, the East German leader, to Chancellor Helmut Kohl have raised anxieties among the Western allies that Bonn could be tempted away from the mainstream Nato arms control line.

In a letter to Mr Kohl published in East Berlin this week, Mr Honecker suggested that both Nato and the Warsaw Pact give up plans to modernise shorter-range nuclear missiles in the 1990s.

This, Mr Honecker said, could provide the path to further "zero options" in nuclear disarmament going beyond the INF treaty signed by the US and Soviet Union last month.

Mr Honecker's letter was sent to Bonn on December 16 but was not announced by the West Germans.

Yesterday East German newspapers printed the letter in full on their front pages. East German diplomats in Bonn yesterday went to the unusual lengths of distributing a press notice about the letter.

The letter says the idea of giving up Nato's plan to modernise short range missiles was put forward by Mr Kohl during talks with Mr Honecker in Bonn last September.

This would contradict the Nato line – which is highly unpopular in West Germany – that the Alliance should maintain the option of modernising and improving during the 1990s shorter-range nuclear arsenals such as the US Lance missile and artillery shells. These are stockpiled mainly in the Federal Republic.

The US, Britain and France want to maintain and reinforce in quality existing arsenals of nuclear weapons of less than 500 km range as long as the Warsaw Pact's superiority in conventional forces persists.

But the idea of modernising the short-range weaponry has met hostility from both Right and Left in West Germany. This is because most of these weapons left in Europe after the INF accord are both deployed in and aimed at East and West Germany.

One Western diplomat in Bonn yesterday suggested that Mr Honecker may have given the game away by revealing that the idea of renouncing modernisation came up in September. "Are the East Germans trying to shop Kohl?" he said.

The letter was welcomed in Bonn. Mr Alfred Dregger, the leader of the conservative parliamentary grouping in the Bundestag, said he pleased that East Germany was bringing shorter-range missiles into the disarmament process.

Mr Egon Bahr, the opposition Social Democratic Party's East-West expert, said Mr Honecker's letter would ease the dialogue with Bonn. He called on Mr Kohl, who is due to pay a return visit to Mr Honecker in East Germany later this year, to make a constructive reply.

The SPD is pressing Mr Kohl to go to East Berlin rather than to see Mr Honecker in a provincial town. This would go towards meeting East Germany's long-held desire for recognition of East Berlin as the country's capital.

Mr Honecker's letter comes amid a flurry of activity in Bonn preparing for the visit here of Mr Eduard Schevardnadze, the Soviet Foreign Minister.

Stepping up the disarmament pressure on the Federal Republic, Mr Yuli Kvizinsky, the Soviet ambassador to Bonn, at the weekend specifically called on the West German government to draw up common goals with Moscow, "in parallel or together" on further disarmament steps at Geneva.

Bonn spurns hostage deal for Lebanese on trial for kidnap

BY DAVID MARSH IN BONN

MR FRIEDRICH ZIMMERMANN, the West German Interior Minister, has firmly ruled out any question of a deal for the release of an alleged Lebanese terrorist whose trial started in Duesseldorf yesterday.

Mr Zimmermann's statement came at the start of the trial of Abbas Ali Hamadei, a Lebanese who now holds German citizenship. He is charged with helping to kidnap two West German citizens at the start of last year who were seized in an effort to force the freedom of Mr Hamadei's brother.

One of the hostages, Mr Alfred Schmidt, a technician from the Siemens electrical company, has since been released. But the other, Mr Rudolf Cordes, an executive of the Hoechst chemicals company, is still held in Beirut.

In a letter on Monday evening sent to press organisations in the Lebanese capital, the pro-Iranian fundamentalists holding Mr Cordes warned the West German authorities against punishing either of the Hamadei brothers.

The hostage-taking has placed the Bonn Government in a delicate position. The main figure in the affair is Mr Hamadei's brother Mohammed Ali. He is also due to go on trial charged with hijacking a US airliner in June 1985, in which a US navy diver was killed.

The US Government last year pressed strongly for extradition of Mohammed Ali Hamadei so he could go on trial in the US. The Bonn Government, however, decided to try him before a court in the Federal Republic, where he is due to face charges in Frankfurt later this year.

Mohammed Ali was arrested at Frankfurt airport on January 13, leading to the seizure of Mr Cordes and Mr Schmidt about a week later. Abbas Ali in turn was taken into custody on January 26 on his return from the Middle East, after allegedly helping to kidnap the two Germans.

Polish poll reform hope ends

By Christopher Bobinski in Warsaw

HOPES that Poland was about to take a step towards real democracy have been dashed by the publication of new rules for local elections.

Hopes rose when at a Communist Party central committee meeting last month General Wojciech Jaruzelski spoke of changing the political system. In the November referendum Poles were asked if they wanted more democracy.

The draft of the new rules reveals that the authorities intend to maintain control over nomination of candidates and the names which finally appear on ballot papers. The only change now envisaged is that voters will be able to choose between candidates presented to them by the authorities. In the past failure to cross off a name automatically elected the person at the top of the list on the ballot paper.

Defending the proposals yesterday, Mr Jerzy Urban, the government spokesman, said they were "another, and not the final step" in a process of change.

Mr Lech Walesa, the Solidarity leader, is expected to reject the proposals as offering too little. Recently the Warsaw leadership of the banned movement issued a statement arguing that Solidarity should stop boycotting such official institutions as local councils.

Mr Urban did hint strongly that the authorities wanted moderate members of the opposition to enter the councils at the next elections in the summer. Attempts to achieve this could be expected in coming months.

To this end yesterday he delivered a conciliatory reply to an appeal by Mr Jerzy Holzer, a Solidarity supporter and historian, that General Jaruzelski and Mr Lech Walesa should met in the light of the problems the country faces.

Irish claim spending success

THE IRISH government said yesterday it had reduced borrowing to 1977 levels, **Reuter reports from Dublin.**

Mr Ray MacSharry, the Finance Minister, said end-of-year Exchequer returns published yesterday were "clear indication that the situation has been brought firmly under control."

The 10-month-old government of Mr Charles Haughey has launched Ireland's biggest cost-cutting drive in a bid to curb a national debt of I£25bn ($22bn). It has trimmed health costs, sought 10,000 redundancies in the public service, negotiated an across-the-board pay agreement with trade unions and won opposition party backing for his "hair-shirt" economics.

The returns show that the state's Exchequer Borrowing Requirement in 1987 was I£1.79bn. That works out at 10.4 per cent of gross national product, its lowest level since 1977.

Lower international interest rates and the plunging US dollar have helped trimmed interest payments on the national debt, which includes I£9.9bn of external government debt.

Tax revenue was down and consumer spending was sluggish. But this was offset by lower government spending and a larger than expected economic growth rate of 2 per cent in 1987 after minus 0.5 per cent in 1986.

Mr MacSharry, who aims to stabilise the national debt by 1990, still wants to keep the government belt firmly tightened and is not expected to offer any relief in his 1988 budget due on January 27.

"Real economic growth and sustainable employment can only be achieved on the basis of sound public finances," he said. Inflation has been wrestled down to an annual rate of 3.1 per cent but unemployment still stands at a stubborn 18.6 per cent and each year up to 30,000 youngsters emigrate in desperation to seek work in the United States, Britain and Australia.

Finance chief held over Norway fraud

BY KAREN FOSSLI IN OSLO

THE head of a Norwegian finance company has been arrested and charged along with 50 others with violating foreign exchange laws. The charges follow allegations by the central bank that $1.5m was illegally exported from Norway and that loans worth $100m were arranged but never paid out.

Mr Jarle Holgersen, president of Midas, a Bergen-based finance company with a subsidiary in the Isle of Man, was detained for 10 weeks on the orders of a district attorney.

Mr Erland Kvall, a central bank official, said Midas was investigated after it made dollar loans to several small companies on suspiciously favourable terms.

To obtain the loans of $2.5m each, borrowers had to deposit $30,000 in the Exportfinansierungsbank of Vienna, which had its banking licence revoked last February.

According to Mr Kvall, payments totalling $1.5m were made to the Austrian bank without the Norwegian central bank's permission. The payments breached the rule that foreign exchange may only be sent abroad for legal investment purposes or for current accounts used to pay for goods and services.

Waldheim inquiry verdict soon

By Judy Dempsey in Vienna

THE International commission of historians set up to investigate the wartime activities of Dr Kurt Waldheim, the Austrian President, will hold its fourth and final session in Vienna on January 25 and is expected to release its report on February 2.

The six-member commission, which includes Mr Hans Rudolf Kurz, the Swiss military historian, and Mr Gerald Fleming, the British modern historian, will meet the President during the final session.

Dr Waldheim, who said recently he would not regard the commission's report as binding, has consistently denied all allegations.

David Barchard reports on the revival of a pact left dormant for many years

Turkey puts flesh back on the bones of an EC agreement

AFTER nearly a decade, signs of life are returning to the Association Agreement between Turkey and the European Community following Turkey's decision last month to resume tariff cuts originally planned for the late 1970s.

One of the paradoxes of Turkey's application last April for full membership of the Community was that it was made after several years during which the major political and economic provisions of the agreement had been in abeyance and most economic aid to Turkey had been frozen.

Yet it is the Association Agreement of 1964, with the explicit statement that it aims at eventual full Turkish membership of the Community, which underpins the Turkish application. Without such a statement, there would probably have been a debate in Europe over whether or not Turkey is geographically eligible to join or should be treated like Israel and Morocco. [illegible] the agreement [illegible] the favoured pre[illegible] progress [illegible] Ankara [illegible] with negotiations as soon as possible, and seems to see these as a replacement for the agreement rather than a necessary next stage.

Mr Turgut Ozal, the prime minister, believes that full membership may be only a decade away. Professor Ali Bozer, Minister of State for EC Affairs, is even more optimistic and talks of only five years.

The mood is somewhat different in the embassies of Community countries in Ankara. In the early months of last year, diplomats from EC member states discreetly but firmly tried to get Turkey to delay its application for membership.

Community diplomats now point out that a long wait will follow before the EC Commission submits its formal opinion on the Turkish application. Its publication is still at least a year away, maybe more. Some EC diplomats believe that there may not be an automatic recommendation for negotiations, especially while substantial objections exist.

Others think that most of the Community will adopt an outwardly sympathetic stance to the Turkish application, while sheltering behind the virtual certainty of a Greek veto.

This possibility may be lifted if there is a thaw in relations between Athens and Ankara. Late this month, the Turkish and Greek prime ministers are expected to meet at Davos. It would be suprising if the question of Greek attitudes to Turkish EC membership was not probed at some point.

However negotiations for Turkish membership of the EC will not even get off the ground if the Association Agreement is still inactive. There are both economic and political obstacles to overcome. In 1972, Turkey agreed on phased progress to a customs union by 1995 and other harmonisation. The precedent for these was a relatively easily achieved customs union between Greece and the Community under Greece's parallel Assocation Agreement.

Because of Turkey's bitter semi-colonial experiences in the last decades of the Ottoman Empire, tariff barriers are regarded by most Turkish officials and intellectuals as the hallmark of national independence.

The tariff cuts, negotiated in 1972, were politically very unpopular although public opinion in Turkey was powerless because the country was undergoing one of its spells of military rule.

In 1976 there was little surprise when the Turkish government shelved the tariff reduction programme indefinitely, pleading that it could not continue with them during an economic crisis.

In the 1980s, as economic normality returned and a degree of liberalisation was introduced into Turkish foreign trade, there was still palpable reluctance to resume the tariff cuts. Nonetheless, on December 28 Turkey made two tariff reductions of 10 per cent each of the 12-year and 22-year lists opf tariff reductions and two other cuts of 5 per cent.

On the political side, the stand-off was more complete. Because the new civilian administration in Turkey evolved out of the years of military government from 1980-1983, rather than from the collapse of military rule, most Community parliamentarians viewed Turkey with deep suspicion.

Centre-right and liberal objections to the human rights situation in the country were largely dropped when martial law was lifted and jailed intellectuals and trade unionists were freed (though their trials have dragged on). But West European Socialists, Greens, Communists and trade unionists remain either hostile or hesitant, chiefly because many political activities which they regard as normal in a democracy are still curbed severely in Turkey.

The holding of free general elections on November 29, observed by an invited delegation from the European Parliament, may have cleared the way for the meeting of the Turkey-EC Parliamentary Association Council, a body which has not met since 1980.

Socialist hostility to Turkey has been revived by claims that two Communist leaders who returned to Turkey early in November in a blaze of publicity and were promptly gaoled, were subjected to electro-shock and other tortures.

The case has revived old questions about legal procedures and human rights in Turkey. Although an official enquiry has been dropped for lack of evidence, the press and the public seem to think that torture is still commonplace in Turkey. Commissions are often still fairly routine – and the present European parliament now contains several opposition left wing unionists and politicians whose claims that they were tortured have been brushed aside in the last few years.

The human rights card may yet be played, even by relatively pro-Turkish governments such as the UK, against the Turkish application.

But in the longer run, the success or failure of Turkey's application will probably hinge on its ability to assume the economic burdens of membership. The Government argues that real incomes, calculated by purchasing power, parities, are several times the official gross national product per capita figure of just under $1,200.

None of these issues can be properly discussed until the Association Agreement is reactivated and its institutions begin to meet regularly. Greek objections may still hit in the way of this, but it does seem that Turkish-EC relations are at last regaining some substance and that 1988 will see advances in what at least one Community Commissioner regards as the EC's most important external problem after relations with Japan.

Turkey will demand more hard currency from its banks this year to help repay mounting foreign debts, Reuter reports from Istanbul.

A decree said banks must sell 25 per cent of their foreign currency earnings to the Central Bank every month in exchange for Turkish lira at the official rate. The Central bank decree is effective from April.

Turkey's 60 banks sold 15 per cent of each month's foreign currency earnings in 1987, raising about $1.5bn for the Central Bank.

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هكذا مسة بأحمل

UK and Kenya agree to differ on SA sanctions

BY MICHAEL HOLMAN IN NAIROBI

BRITAIN AND Kenya yesterday agreed to differ over the merits of economic sanctions against South Africa.

In a 70-minute meeting with Mrs Margaret Thatcher at State House, described by British officials as friendly and constructive, President Daniel arap Moi made clear his support for tougher measures against Pretoria. The British Prime Minister repeated her view that sanctions would not bring about an end to apartheid, and neither leader pressed the matter any further.

The Prime Minister said that she was pepared to go to South Africa if such a visit would do any good but there was no indication that the time was now right.

Later in the day, speaking at a state banquet in her honour, Mrs Thatcher carefully omitted any direct reference to the sanctions dispute. Apartheid, she said, was "an utterly repulsive and detestable system and it must go".

"I have no doubt that change will come in South Africa, not only because it is an unjust system, although that is the main reason, but because it is a wasteful system."

She went on however to stress that change had to come from within, "and it must be peaceful"

The concept devised by the Commonwealth Group of Eminent Persons who in 1986 attempted to win support for all party negotiations preceded by a suspension of violence on all sides, "still offers the best prospect of progress", said Mrs Thatcher.

The Prime Minister announced a £20m British grant to be used for Kenya's balance of payments support, linked to an economic programme the country is shortly to agree with the International Monetary Fund. Under the programme Kenya is expected to be eligible for a $70m standby loan from the Fund.

In their talks earlier in the day the two leaders discussed regional and bilateral concerns including President Moi's view that Kenya was sometimes unfairly portrayed by the Western media. Kenya has been the target of growing criticism over ill treatment of political prisoners and suspects. British officials, however, continue to express the view that the country's human rights record remains one of the best in Africa.

Mrs Thatcher leaves early tomorrow for Lagos on the second leg of her five day African tour.

Nicholas Woodsworth assesses attempts by the West African nation to shrug off a colonial legacy

Senegal revives in freer economic climate

ON THE tree-lined avenues of Dakar, the former colonial capital of French West Africa, foreign visitors do not stroll, they dodge. Liable to be ambushed on every corner by small armies of fast-moving hawkers, the innocent tourist soon learns that this local variety of guerrilla warfare involves not the Kalashnikov, but the rapid-fire sales pitch.

The results can, however, be devastating. Many are the experienced travellers who come away baffled from one of these street skirmishes, possessors of imitation Seiko watches or bogus ivory bangles they never intended to buy.

Of all the trading, commercial and business-minded people of sub-Sahara Africa, the Senegalese are indisputably the champions. While Dakar's aggressive street hawkers can sometimes make this irritatingly obvious, the Senegalese flair for business also operates on much more sophisticated levels.

Historically great travellers and traders, the Senegalese abound in entrepreneurial skill reputed throughout Africa. Astute and enterprising, they are the continent's grassroots capitalists *par excellence*.

This national talent may turn out to be Senegal's strongest card in the rigorous economic battle it is currently waging. While it may have an edge in terms of human resources, on almost every other count Senegal's lack of advantage has made it one of the poorer countries in Africa.

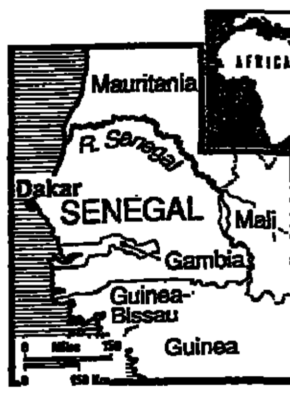
Of the four traditional pillars of the economy – ground nuts, phosphates, fishing and tourism – not one stands firm today. Drought, erosion, lack of natural resources, plunging world commodity prices, and a soaring population have all contributed to Senegal's ill health.

There is, however, little disagreement today among Western financial and aid institutions about the predominant cause of Senegal's stagnation. As a legacy of colonial rule, it inherited at independence a national economy in which the state played a leading and all-pervasive role. Unwieldy and inefficient, it has hampered the country's progress ever since, and made it a chronic debtor.

But Senegal is at last rounding a corner in its struggle towards economic development. Faced with a severe economic crisis in the early 1980s, it embarked on a far-reaching structural adjustment programme devised by the World Bank. Last May it entered the second phase of its Medium Term Adjustment Programme (1985-92), an initiative supported by a third World Bank structural adjustment loan package, worth $93m (£51m).

With sustained growth as its overall objective, World Bank strategy in this phase of the programme centres on the progressive withdrawal of the state from all sectors of production.

By this measure, the Bank aims at promoting private sector initiative and investment, achieving greater efficiency in what will remain of government management, and restoring financial equilibrium and creditworthiness.



As a predominantly agricultural country and a major world supplier of ground nuts, Senegal is concentrating many of its modernisation efforts in the agricultural sector. Of crucial importance is the phasing out of the activities of its deficit finance state marketing board, and the curtailment of government-guaranteed producer prices.

The bank has also called for an end to the subsidisation of agricultural materials, and a rise in the price of consumer food items to encourage local production.

In the industrial sector, structural adjustment has, if anything, been more thorough-going. Protected since independence by high tariff barriers, Senegalese industry – including vital fish and agro-industrial processing activities – has become increasingly uncompetitive. Reform measures include substantial import tariff reductions, a full liberalisation of the investment code, an increase in export subsidies, and relaxation of the country's labour laws.

The third major area in which *structural reform is being* pushed through is in the country's top-heavy parastatal sector. At present, the Government participates in over 125 parastatal companies and public agencies.

Mr Mamadou Toure, Minister of Finance, has recognised their poor performance, and admits the need for change in a budget system that spends 75 per cent of its total revenues on state employees' salaries.

By the accounts of government officials and the foreign agencies involved, there is light at the end of the tunnel. According to Mr Franz Kaps, chief representative of the World Bank in Senegal, rational compromise has been the key element in progress made so far.

"The Government has realised there is no alternative, and is making great sacrifices to make this programme work," he says. "Either one allows existing structures to drop past the point of rehabilitation, or one puts up with considerable hardship for the time being in the hope that in five to seven years, Senegal will begin to stand on its own feet."

The World Bank does not deny that its reforms are causing difficulties. Despite the programmes it has devised to cushion the adverse effects of adjustment, there are complaints that the World Bank medicine is simply too strong.

"It is not the Government that is making the sacrifices," says Mr Babacar Niang, an opposition MP. "It is the population. Reform is necessary, but we are being pushed *too far too fast*.

"The majority of Senegalese are poor peasants. In the past, the Government has tried to guarantee them certain minima. Now they are being forced to suffer so that wealth may accumulate in the hands of private investors in the future. Understandably, they feel betrayed."

Historically great travellers and traders, the Senegalese abound *in entrepreneurial* skills reputed throughout Africa. They are the continent's capitalists par excellence.

Certainly, the average Senegalese will profit little from structural adjustment in the short term. Disruption in the pattern of rural life has been considerable.

Many rural social services, including state-funded agricultural extension programmes, have been eliminated. In some villages, state-run shops have been closed because of unprofitability, leaving villagers with no way to buy essential items locally. Increased food prices will be a hard blow to poorer peasants, while removal of guaranteed agricultural producer prices will affect better-off peasants as *well*.

Belt-tightening will be even more severe in urban areas. The Bank estimates that 10 per cent of the industrial work force will be laid off as uncompetitive enterprises collapse. This will only increase the unemployment caused by the liquidation of parastatal enterprises. While food prices rise, wage increases will be contained. Labour code modifications demanded by the Bank will allow employers to hire cheap labour ineligible for social security benefits.

Measures such as these will make the years ahead testing ones. The World Bank may proclaim itself confident of the eventual establishment of sustained growth, but it is well aware of the socio-political risks of reform.

The problem is not one of the Bank convincing the Government of the need for reform – this has already been done. If structural adjustment is to succeed, the Government must be able to show the population at large that emerging opportunities are grassroots opportunities.

It is one thing to promise the country entrepreneurial scope by strengthening the free enterprise system. Providing that scope to the small farmer, the shopkeeper, and even the Dakar street hawker will be the full test of structural adjustment.

Witness to Aquino murder

By Richard Gourlay in Manila

FRESH witnesses are expected to testify that a government soldier shot dead President Corazon Aquino's husband in 1984, the chief prosecutor said yesterday. The day before, a surprise witness had appeared to provide a breakthrough in four years of trials, retrials and investigations.

The murder of opposition leader Mr Benigno Aquino as he stepped from an aircraft at Manila airport after three years of exile triggered a series of events that brought his widow to power in February 1986.

Mr Jesse Barcelona, an airport worker on duty the day of the killing, is only the second witness to testify that a soldier shot Mr Aquino, even though he could not say which of three officers pulled the trigger.

After Monday's hearings, Mr Raul Gonzalez, the chief prosecutor, said he thought a sergeant, Rogelio Moreno, fired the murder weapon. Forensic tests carried out two days after the killing showed Sgt Moreno had powder burns on both hands and wrists suggesting he had recently fired a gun with both hands.

He has remained under military custody since despite a supreme court decision in 1985, two months before President Ferdinand Marcos was ousted from power, that a small-time crook had shot Mr Aquino on the airport tarmac.

Many Filipinos, however, believed the killing was linked with Mr Marcos, his wife or Gen Fabian Ver, the armed forces chief, all of whom fled the country after a popularly backed military revolt in February 1986.

One of the new witnesses, Miss Rebecca Quijano, had testified in the first trial that she saw Mr Aquino killed by a soldier but her testimony was ignored by the court when it acquitted 25 soldiers and one civilian in the 1985 trial. The identity of the other witness in the trial, which has 14 new defendants, remains a mystery.

Natal gets extra police

By Anthony Robinson in Johannesburg

EXTRA POLICE units have been drafted into the Pietermaritzburg area of Natal to try to curb bitter fighting between rival political groups which has cost more than 280 lives over the last 15 months.

Police reinforcements had already been sent to the area of sprawling villages, kraals and shanties in the Edendale Valley west of Pietermaritzburg. But thus far they have had little success in keeping warring bands apart or preventing nightly murders and skirmishes.

Spokesmen for the United Democratic Front, whose supporters have been involved in the violent clashes with groups linked to the Zulu Inkatha movement, have complained about alleged police partiality. Mr Archie Gumede, the UDF Natal president, commented yesterday that sending more police was tantamount to sending "reinforcements for Inkatha".

Instead of an increased police presence, Mr Gumede appealed to the local chamber of commerce to continue its efforts to arrange a negotiated solution between Inkatha and the UDF.

Cairo students riot

Riot police used batons and tear gas yesterday to disperse students demonstrating against Israel's crackdown on Palestinians in the occupied West Bank and Gaza Strip, AP reports from Cairo. Witnesses said about 30 students, including at least two women, were arrested outside the campus of Cairo's Ein Shams University.

Kim Dae Jung promises an election challenge

MR KIM DAE JUNG, one of South Korea's two main opposition leaders, yesterday claimed he would regain the political initiative in National Assembly elections to be held before April and predicted that president-elect Roh Tae Woo would face political instability, **AP reports from Seoul.**


Kim: predicts instability

Kim said that his Party for Peace and Democracy would continue its efforts to prove that massive fraud was used to elect Mr Roh. He claimed Mr Roh lacked popular support and would find it difficult to rule.

"I don't expect that there will be political stability under Roh Tae Woo's regime," Mr Kim Dae Jung said.

Mr Roh defeated Mr Kim Dae Jung and rival opposition leader Mr Kim Young Sam on December 16 in South Korea's first direct presidential election in 16 years.

Although opposition leaders have charged that the Government resorted to massive fraud to win the election, many people blame the two Kims for splitting the opposition vote.

The PPD expects to emerge as the main opposition party in the National Assembly elections to be held before April, said Mr Kim Dae Jung, the PPD party president.

"The presidential election was not the last word," he said.

He said yesterday he regretted splitting the opposition and called it a mistake, but claimed Mr Roh would have won the election through fraud even if the opposition had fielded a single candidate.

Meanwhile, the South Korean economy grew at an annual average of 10.1 per cent in the last five years, the Bank of Korea said yesterday.

The central bank, in an analysis of South Korean and world economies, said the South Korean growth rate surpassed Taiwan's 9 per cent, Hong Kong's 7.3 per cent and Singapore's 4.7 per cent for the same period. The South Korean economy was estimated to have grown at least 12.6 per cent in 1987 alone, the highest since 1977, when the growth rate reached 15 per cent, the bank said.

The country's gross national product totalled $95.1bn in 1986, ranking 18th in the world, the bank said.

AMERICAN NEWS

Senators back Murdoch on New York Post

BY JANET BUSH IN NEW YORK

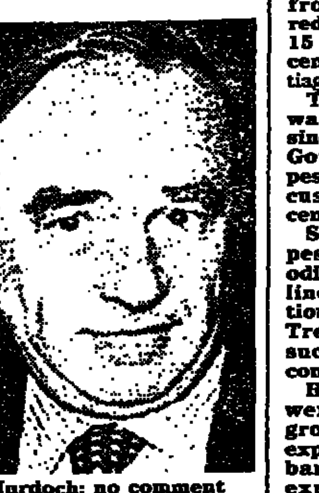
THE New York political establishment is rallying around Mr Rupert Murdoch, under pressure to sell the New York Post newspaper because of a clause tacked onto the huge spending bill passed by Congress just before Christmas.

Both of New York's Senators, Republican Mr Alfonse D'Amato and Democrat Daniel Patrick Moynihan, said they would seek to reverse the legislation at the first possible opportunity after Congress reconvenes on January 25. Mr Ed Koch, New York's Mayor, has also come out in support of Mr Murdoch's ownership of the Post.

The clause stipulated that the rule barring ownership of a television station and a daily newspaper in the same market could not be changed, in effect forcing Mr Murdoch into choosing whether to sell the Post or his television station in New York, or The Boston Herald newspaper and his television station in the same city.

Mr Murdoch has so far had no comment on the legislation but a spokesman said he was considering his options.

The motivation behind support for Mr Murdoch in New York appears to be mainly fear about job losses. The argument runs that no other newspaper proprietor would be prepared to continue subsidising the Post's annual losses and, if Mr Murdoch was forced to sell, 2,000 jobs could go. The Boston Globe, which has made small profits in the last two years, is not thought to be as vulnerable to closure as the Post.



Murdoch: no comment

According to a spokeswoman for Senator D'Amato, the issue is a local New York one and should not be viewed as part of the continuing debate on "cross ownership" in the media business which motivated the inclusion of the clause in the spending bill.

There also seems to be an element of annoyance in the campaign in favour of Mr Murdoch. The New York Senators feel they were not properly consulted by Congress legislators.

It is by no means clear how much support the New York Senators may find in Washington for reversing the legislation.

Chile devalues currency by 3.88%

CHILE yesterday devalued the peso by 3.88 per cent to 243.97 pesos to the dollar from 234.48 pesos and reduced customs duties to 15 per cent from 20 per cent, Reuter reports from Santiago.

The surprise devaluation was the first of its kind since June 1985, when the Government devalued the peso by 7.8 per cent and cut customs duties to 20 per cent from 30 per cent.

Since 1985, however, the peso has undergone periodic slight devaluations in line with domestic inflation. Mr Hernan Buchi, the Treasury Minister, said such devaluations would continue.

He said the measures were taken to maintain growth and diversity of exports in the face of trade barriers against Chile's exports, including the recent removal of Chile from the US Generalised System of Preferences.

Mr Buchi said Chile's gross domestic product grew 5.4 per cent in 1987. "Already one-third of national product is exported," he said. Chile's exports, helped by copper price increases, totalled about $5bn in 1987, while the country's trade surplus of $1.09bn was $140m more than originally forecast.

Dollar bears fall into a well-laid trap

BY ANTHONY HARRIS IN WASHINGTON

THE SUCCESS of the US Federal Reserve and the Bank of Japan in digging a highly successful trap for bears of the dollar in the New Year markets should at the least restore a healthy fear of central banks in the exchange markets. This alone would be enough to stabilise the dollar in the short term but the raid may well have a longer-term meaning. It could - and indeed should - imply that the authorities are prepared to mount a serious trial of US trade performance at current rates.

The timing of the raid recalls the great bear raids of the sterling crises of the 1960s, when the Bank of England and the New York Fed developed acute market skills. By allowing bear raids to develop some enthusiasm, and intervening only when the speculative part of the market was short, they were able to impose painful losses, and create significant upside risk.

It is not so much the timing of the latest raid which shows that the trap was deliberately planned as its determination. The markets turned as soon as they knew that the Fed was leading the support operation. This was essential to offset what is already known as the Sprinkel effect - the result of the hands-off briefing from the President's chief economic adviser as soon as the rather weak reaffirmation of dollar support from the Group of Seven was released. If the central banks had wished only to stabilise the rate, they would have stopped there. The fact that they spend heavily to drive the dollar up by some 2 per cent shows that they were out for blood. There is once again an upside risk in dollar trading.

It is also interesting that the central banks waited until there had been something of a dollar rout before mounting this operation. An effective bear raid could almost certainly have been staged at any time in the last month+ but this could have been counter-productive. The very similar operation in the wake of the Louvre agreement in February 1987 initiated quite a strong dollar recovery, which carried it to a level which most economists, including those advising the Administration, regarded as too high. The devaluation crisis had to be staged all over again.

That risk may have been avoided this time. The current pattern of dollar exchange rates is within the range of sustainable rates estimated by a majority of economists, though the more extreme academic bears, such as Professor Martin Feldstein, would still regard it as substantially over-valued. It is within a percentage point, for example, of the sustainable rate agreed upon by the 33 economists who recently put out a statement under the aegis of the Institute for International Economics, and close to the values predicted by a number of market economists.

There is also a growing consensus that the next US trade figures will show a substantial improvement on the awful trend of the last three months. The new figures will not be out until January 15, but the trade figures for America's main trade partners are already known, and suggest such an improvement. It is also worth noting that the Census Bureau already knows what the November figures would have been on the old reporting basis, before such pains were taken to ensure that all statistics related to the month being reported. It is highly unlikely that Mr Alan Greenspan, the Fed Chairman, who has been predicting better figures, would again do so without taking pains to make sure that he will be right. He dented his credibility badly by premature talk of an improvement ahead of the figures shortly after he took office.

Argentina's balance of trade slides to low point for decade

BY TIM COONE IN BUENOS AIRES

ARGENTINA's balance of trade surplus slid in the first nine months of last year by 70 per cent on comparable 1986 levels to just $588m, the lowest figure this decade.

During the first three-quarters of the year exports were down 10 per cent to $4.797bn from $5.378bn at the comparable stage of 1986. The value of imports jumped 232.7 per cent over the same period from $3.430bn to $4.209bn.

Bankers said the grim trade figures lent weight to recent warnings that Argentina would be hard pressed by deteriorating terms of trade to meet debt servicing costs estimated at $4.65bn this year.

A mission from the International Monetary Fund (IMF) is expected to arrive in Buenos Aires this week to review the Government's performance under Argentina's existing $1.425bn standby programme.

The IMF is keen for the Government to devalue the currency, the austral, to boost export prospects. The central bank yesterday appeared to confirm predictions that it was adopting a "crawling peg" exchange policy for the so-called "commercial" dollar rate used for trade transactions.

The austral was devalued by 0.53 per cent, taking the commercial rate to about australs 3.775 to the dollar. But bankers said this would not satisfy demands from exporters and probably the IMF for further major changes in foreign exchange policy.

With the free market exchange rate falling to about australs 5.40 against the dollar yesterday, exporters were still operating at an exchange rate loss of about 40 per cent on the "commercial" currency markets, bankers said.

Brazil to take new steps against AIDS

BY IVO DAWNEY IN RIO DE JANEIRO

MOUNTING alarm that Brazil still has not gathered adequate data on the extent of the nation's AIDS crisis has forced the Minister of Health to order a new check on the numbers of victims of the disease.

Mr Borges da Silveira has called for a nationwide re-examination of medical records after it emerged that 512 people have died of acquired immune deficiency syndrome in Sao Paulo city alone when the official national deaths statistic stands at just 264.

According to the minister, local medical authorities have either failed to notify the federal authorities or made errors, sometimes of up to 100 per cent.

Brazil, which was criticised by the World Health Organisation (WHO) for its slow response to the spread of the disease, is believed to have passed France to take second position to the US in the world table for the number of registered AIDS cases.

Official figures claim that the total number of dead or infected victims had risen to 2,325 by the end of last November, more than double the 1,152 recorded last January. Of these 1,311 were in Sao Paulo state, where registrations rose by a further 87 in December.

The Brazilian authorities have stepped up their public awareness campaign on the dangers of AIDS during 1987, but despite television and newspaper advertising, some victims claim that much more needs to be done.

With the annual carnival - traditionally a period of high promiscuity - imminent some newspapers have called for steps to halt the large inflow of homosexual tourists from abroad.

However, the case that has attracted most attention and public sympathy is that of the three de Souza brothers. Herbert, Henrique and Francisco, each well-known in their respective professions of sociologist, artist and musician were all haemophiliacs infected through blood transfusions.

Herbert in particular has been campaigning hard to increase public awareness and for tougher government efforts to screen blood. "Haemophilia centres have been testing blood since March 1985, but by then over half Brazil's 6,000 haemophiliacs had become Aids carriers," he claims.

This week his cartoonist brother, Henrique de Souza, died of the disease.

● Two were killed and six others injured when police armed with revolvers and tear gas stormed a maximum security prison in southern Brazil to end a day-long rebellion by seven inmates and free 27 hostages, AP reports from Rio de Janeiro.

The two dead prisoners, one wounded police officer, four injured hostages and one wounded prisoner were hit by bullets in the sporadic gun battles in the winding passages of the run-down 1950s Jacui maximum security prison, state security department spokesman Mr Sergi Motta said.

Nasa safety questioned

AN INTERNAL National Aeronautics and Space Administration report concludes that two years after the Challenger disaster the space agency still lacks the engineers, guidelines or leadership to ensure the safety of manned spaceflight, **AP reports from Atlanta.**

The report, prepared by a committee of safety experts for Nasa senior officials, was obtained by The Atlanta Journal-Constitution, which published details yesterday.

Safety is taking a back seat to schedule pressures and costs despite reform efforts, spurred by the January 1986 Challenger explosion that destroyed the shuttle and killed its crew of seven.

"As one worker put it, 'Their words say safety, but their actions say don't worry about it'," the report said.

The committee cited "disturbing signs" that that some pre-Challenger safety problems identified in the aftermath of the accident still exist.

Reuter add: Engineers blame a design flaw for the failure of a space shuttle rocket test last month, but say resumption of flights by late summer is still possible, the Washington Post reported yesterday.

IMF approves Ecuador loan

THE International Monetary Fund has approved a $67m loan to assist economic development in Ecuador, Reuter reports from Washington.

Of the total, $60m is available immediately under the Compensatory Financing Facility, a pool of funds use to help countries hit by a cut in export earnings.

The remainder would be available over the next 14 months under a so-called standby arrangement.

The decline in exports was attributable to lower export volumes of crude oil after an earthquake ruptured the trans-Andean oil pipeline.

Caribbean leaders start Haiti summit

BY CANUTE JAMES IN KINGSTON

THE LEADERS of 13 countries of the Caribbean are meeting in Barbados today to discuss a common approach to the political crisis in Haiti. The summit of the Caribbean Economic Community was originally scheduled for Monday, but was delayed because not all leaders could have attended.

The meeting follows the failed effort of some leaders in the region, led by Mr Edward Seaga, the Prime Minister of Jamaica, to persuade Haiti's military Government to allow an independent commission to supervise presidential elections scheduled for January 17.

Haiti's first elections in 30 years were aborted on November 29, when members of the Haitian army and armed gangs fired on voters, killing at least 34 people.

The Caribbean community summit has been preceded by heated exchanges between some leaders, mainly Mr Seaga and Mr Ray Robinson, the Prime Minister of Trinidad and Tobago, over the group's approach to Haiti. But the summit is expected to condemn the junta in Haiti for commandeering the elections.

Despite an earlier inclination on the part of some Caribbean leaders to give the Haitian Government the benefit of the doubt, there is now a consensus in the region that Haiti's rulers intend to engineer the election of their favourite candidate.

The Caribbean countries are also expected to refuse to recognise any government elected in Haiti on January 17, and to urge other countries to do the same.

Officials say a call will be made on the Haitian Government to recall the country's constituent assembly and have it postpone the inauguration of an elected president, which is scheduled for February 7.

They say, however, that not many Caribbean leaders expect the Haitian Government to do this.

● A coalition representing professional, student and labour organisations has joined opposition politicians in calling for a boycott of the national election the junta will hold January 17.

"We declare null any election carried out under the auspices of the present junta," the Civil Society coalition said recently. It claims it represents nearly 50 civic and religious organisations.

WORLD TRADE NEWS

Japanese to oppose Nigeria debt plan

By Peter Montagnon, World Trade Editor

SEVERAL large Japanese companies are to vote against Nigeria's proposals to reschedule some $3.25bn (£1.8m) in uninsured trade debts at a special creditors' meeting in London next week.

The companies, all members of the Japan Nigeria Committee, are among the few groups to have agreed a common stand on the controversial rescheduling plan which has been widely criticised in the international business community.

The committee declined to say how much they are owed. Their decision to reject the plan has added a fresh element of uncertainty to next Thursday's meeting in the Wembley conference centre, but their vote is unlikely to carry enough weight on its own to kill the proposal.

A Hongkong-based group, Confidential Recoveries, is also planning to vote against the deal but creditors believe it represents only a small amount of the debt outstanding.

The Japanese committee includes C Itoh, Kawasho, Marubeni, Mitsui, Mitsubishi, Nichimen, Sumitomo, Suzuki Motor, Toyo Menka Kaisha and Nishizawa.

These companies are thought to have quite large Nigerian exposure, but it does not match the claims held by major European corporations.

Creditors believe many of them are anxious not to jeopardise their future business in Nigeria by voting against a plan unlikely to be improved.

Boeing gains $800m orders

BOEING of the US has begun the year strongly with new orders for its jets worth nearly $800m (£444m), **Michael Donne reports.**

Canadian Airlines International has ordered two extended-range 767-300 twin-engined jets, and taken options for eight additional aircraft, worth in all $660m. Total orders for the 767 in all versions now stand at 268 aircraft.

Northwest Airlines of the US has ordered three more Boeing 757-200 twin-engined medium-range jets, worth about $126m, in addition to its existing order for 30. Total orders for the 757 now amount to 239.

Canute James on how counterfeiting and piracy threaten to undermine an international organisation

US favours bilateral pacts to protect its know-how

FOLLOWING ITS failure to get new comprehensive multilateral agreements to protect intellectual property rights, the US is turning increasingly to a series of bilateral pacts. US government officials claim increasing success in the Pacific Basin, and say they are now focusing efforts on similar agreements with the People's Republic of China, and then Latin America and the Caribbean.

Piracy and counterfeiting of copyrights, trademarks, trade secrets, patents, semiconductor designs and computer software cost US industry between $50bn and $60bn per year, but there is some official confusion about whether efforts to reduce this should bypass bodies such as the World Intellectual Property Organisation.

"US copyright industries put annual losses at over $1.3bn as a result of copyright piracy," said Mr William Skok, a copyright specialist in the Bureau of Economic and Business Affairs of the US State Department. "In the pharmaceutical and agrichemical fields, weak patent protection in developing countries is a serious problem. The US agrichemical industry estimates that it loses over $200m per year from inadequate and ineffective patent protection."

US industry has repeatedly argued that, as in Latin America, governments in Pacific Basin countries were lax in protecting intellectual property rights to the extent that piracy and counterfeiting reached, according to Mr Skok, "particularly alarming levels," and appeared to have official sanction.

"In some of those nations, we sought to establish a bilateral copyright relationship that will protect the rights of our creators, while at the same time enhancing the rights of the creators of those nations," Mr Skok explained. This has led to the enactment of copyright laws in Singapore, Malaysia, Indonesia and South Korea, and the US administration has obtained a bilateral copyright agreement with Singapore and is negotiating similar bilaterals with Malaysia and Indonesia.

South Korea's membership of the Universal Copyright Convention has provided a basis for improved copyright relations with the US, as has Taiwan's agreement to curb abuses of US copyrighted works under a new copyright law.

Mr Skok said that efforts to improve protection of patents have been rewarded with some improvement in relation to pharmaceuticals and agrichemicals in Korea, but that much remained to be done in other countries such as the Philippines, Indonesia and Thailand.

"Our company depends heavily on sales made outside the United States," said Mr Bradford Gary, corporate vice president of Warner Lambert of the US. "We had revenues of $3.1bn in 1986, and 48 per cent of this as outside the United States. For pharmaceuticals, patent protection is vital to our future."

It is because of what it perceives as potentially a major threat to pharmaceutical and agribusiness property rights that the US is keen on reaching useful bilateral agreements with China. Peking put into effect a new patent law in 1985 which is similar, in many respects, to those of Western countries. But US officials claim there are loopholes which promise little protection for pharmaceuticals and agribusiness, as long as China has no copyright law.

The US expects to continue its close association with the World Intellectual Property Organisation - the locus of negotiations aimed at shielding new high technology creations

Discussions last year between the US and Chinese governments concluded with an understanding that Peking will deal soon with implementing legislation to protect copyrights.

But Latin America remains the sore point for US industry with Washington in dispute with such countries as Brazil which has closed its market to computer software.

"We are disappointed at the current patent protection afforded pharmaceuticals by several countries in Latin America," Mr Skok reported. "The same may be said about copyright protection in Latin America and the Caribbean - some countries do not afford adequate protection to computer software. Others permit cable stations to continue to show pirated US films and television programmes. The sale of pirated video tapes and sound recordings continues to flourish in many of these nations."

According to Mr Gary, many pharmaceutical companies are avoiding selling and investing in countries that do not respect patents - countries such as Brazil which, he claimed, are not willing to pay their fair share.

Washington's search for bilateral agreements follows the frustration of efforts to get other industrialised countries such as those in the European Community, and Japan, to agree to new international standards to protect intellectual property rights outside organisations like Wipo.

"We have worked hard for over 15 years at the Wipo to develop new standards," complained Mr Michael Smith, the deputy US Trade Representative. "To date, these efforts have been frustrated. It would be ill-advised for us to continue relying on the Wipo to solve serious and pressing trade distortions. The key here is that there should be an obligation to rewrite national laws to make them conform, to the Gatt agreement."

Mr Skok said the US Government did not intend to turn its back on the existing international structure to protect intellectual property, but was seeking ways of enhancing that structure which consists of various intellectual property conventions.

"We expect to continue our close association with the World Intellectual Property Organisation in the future. It is, after all, the secretariat for most of these agreements and the locus of ongoing negotiations seeking protection for new forms of creativity in these days of high technology."

The US government is convening - through Wipo - a conference in Washington this year to negotiate a treaty for the protection of rights to integrated circuits.

Austrians win order for Czech hotels

By Judy Dempsey in Vienna

WARIMPEX, a leading Austrian building, construction and financing company, has won a large order to build hotels in Czechoslovakia in what is seen as a cautious opening by the authorities to a potentially lucrative tourist market.

The company organised the building and financing of the Panorama Hotel, which opened in Prague in 1981 and the Forum Hotel, which will open in May. It will hold a 49 per cent share of the latest deal, which is worth over Sch1bn (£46m).

The venture, of which 51 per cent will be held by Cedok, the state-run Czech tourist agency, comprises four projects.

The first involves complete refurbishment of the old Palace Hotel in the centre of Prague, in a the deal worth around $23m-$25m. It will take about 18 months to refurbish the 100-room hotel.

Warimpex will also refurbish the old Sova Muhle Hotel near Prague. This will provide another 70 hotel rooms. The famous stables and residence in Hluboka, South Bohemia, will also be renovated and turned into a hotel. Warimpex will also build and arrange financing for a 600-room hotel in Prague, near the Panorama.

The deal comes when the Czech authorities are cautiously easing travel and tourist restrictions for visitors. While travel into Czechoslovakia has become more relaxed it has been almost impossible to cater for the increasing numbers of tourists, with many of the better hotels booked out for most of the year.

Prague has only 10,000 hotel beds or about 5,000 rooms for its internationally developed tourist industry. The demand exceeds what is available by three or four times," Warimpex said.

● The Czechoslovak truck manufacturer LIAZ plans to boost its exports to Arab countries after testing its products in Arab sand and marshy terrains, Ceteka news agency said, **Reuter reports.**

The company's latest four-wheel-drive heavy-duty truck successfully passed more than three months of endurance tests in the extreme conditions of Arab deserts and marshes late last year, the official news agency said.

Taiwan rejects call to drop ban on China trade

TAIWAN has rejected demands by local manufacturers and ruling party members to drop a 38-year ban on direct trade and and investment links with China, **Reuter reports from Taiwan.**

Mr Li Mo, Vice-Economic Minister, said the Nationalist government would not alter its policy of "no contact" with Peking.

"We cannot trade directly with China because it will pose a latent threat to our economy," he said.

Peking officials have openly admitted that trade with Taiwan, now conducted through third countries, is a political tool to be used in efforts to reunify China.

A group of Taiwan manufacturers, mostly garment and shoe factory operators, said they were losing out to Asian competitors who sold to the huge China market and bought cheap raw materials from the mainland.

"The government should separate politics from trade and let businessmen decide whether to invest in or trade with China," Mr Richard Hsu, an executive of Yeou Fa Chemical Company, told a recent business conference.

"Why doesn't the government let us take the risks and work behind the scenes to provide information?"

Several manufacturers said the rising value of the local dollar had bankrupted many exporters and their only salvation lay in shifting production to China, where wages were lower.

AP-DJ adds from Taiwan: Taiwan's indirect trade with mainland China through Hong Kong amounted to $1.2bn in the first 10 months last year, a 60 per cent increase on the same period in 1986, according to a research group.

Imports of mainland products doubled during the period, although the nationalist government still bans the import of most goods from China, the Chunghwa Institute for Economic Research said.

Imports of mainland goods, mostly agricultural and industrial raw materials, amounted to $340m in the first 10 months last year, up 107 per cent from the same period in 1986, the institute said.

Exports of Taiwanese products, mostly machinery, chemicals, textiles and foodstuffs, amounted to $869m, an increase of 53 per cent.

US, S Korea to continue trade talks

US and South Korean negotiators are to continue talks on trade relations after failing to resolve a potential crisis in negotiations earlier this week, **AP-DJ reports from Washington.**

A meeting between Mr Clayton Yeutter, US Trade Representative, and Mr Chung In-Yong, South Korean Deputy Prime Minister, produced some Korean proposals but no decisions except agreement to continue consultations, a US official said.

The US is demanding immediate access to Korean markets for US beef, cigarettes, insurance, beer and wine, and improved protection for patents and designs.

The US ran a deficit last year with South Korea of more than $9bn (£5bn).

A report from Seoul said the South Korean government had been warned that US tariff increases would be ordered early this year on a range of South Korean goods unless there were immediate agreement on wider market access.

The US is unlikely to exercise its options under US trade law so long as talks continue.

Shipbuilding capacity warning

BY KEVIN BROWN, TRANSPORT CORRESPONDENT

THE world shipbuilding industry is likely to suffer from substantial excess capacity well into the 1990s, according to a United Nations report published yesterday.

The report, compiled by the UN Conference on Trade and Development (Unctad) says excess shipbuilding capacity should fall from around 30 per cent this year to 20 per cent by 1990.

It warns, however, that the level of demand is unlikely to rise substantially because of a surplus of ships equivalent to around 20 per cent of the world fleet.

The report blames overcapacity in both shipping and shipbuilding on government subsidies and indirect support for the construction, acquisition and operation of new ships.

It says Government intervention has delayed structural adjustment, and concludes that shipbuilding is suffering from a fundamental crisis, rather than a cyclical problem of demand.

The report says normal conditions of supply and demand in the industry can only be restored through concerted international action to reduce shipbuilding capacity.

Capacity has been substantially reduced in western Europe and Japan in the last decade, and Japanese yards are in the process of a further 20 per cent reduction.

There has been a substantial increase in capacity, however, in several developing countries, particularly South Korea, which now has the world's largest order book.

The report says incentives for the scrapping of existing ships contribute to a reduction in surplus tonnage, but do not address the crucial problem of excess shipbuilding capacity.

The report conflicts with optimistic assessments of future prospects by some European shipbuilders and financial institutions, which have forecast improvements in the market from around 1990.

Japan to 'scrap' farm curbs

JAPAN will accept a Gatt disputes panel's recommendation that it lift import restrictions on 10 farm products, according to a Japanese newspaper report, **Ian Rodger reports from Tokyo.**

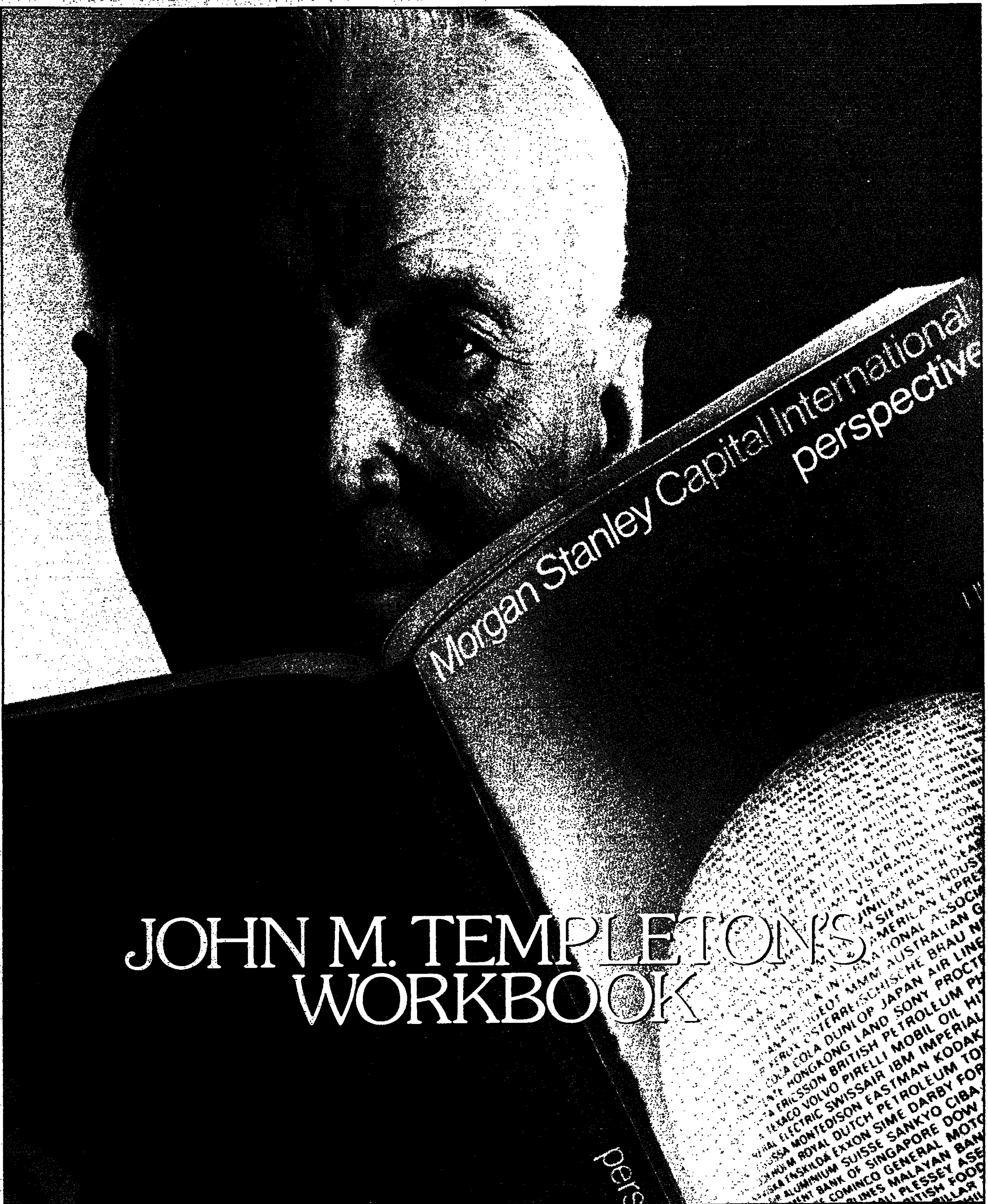
The Japanese Foreign Ministry called the report "speculative". Japan blocked adoption of the disputes panel report at the Gatt council last month, because it was concerned about the impact liberalised imports of two of the products concerned, would have on local producers.

The Japanese wanted to study the situation until the next Gatt council meeting in February. According to the Yomiuri Shimbun newspaper, the Government has decided to accept the Gatt panel report in full because of growing international criticism of delay in obeying a Gatt ruling.

The disputes panel, examining import restrictions on 12 items, was set up at the request of the US Government.

It called for removal of restrictions from 10 of the 12. According to the Yomiuri Shimbun, the decision to accept the report was also the result of tacit agreement with the US.

Japanese foreign ministry officials denied this.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UK NEWS

Tax officer may have 'probed unusual deals'

Nick Bunker looks at the background to the dismissal of Guardian Royal Exchange's chief tax accountant

GUARDIAN Royal Exchange, the British insurance group, may have sacked Mr Charles Robertson, its chief tax accountant, last May because he insisted on investigating what he thought were unusual financial transactions by the company dating back to the mid-1970s, according to an industrial tribunal decision.

It seemed to the tribunal that senior officials of GRE had tried to obstruct Mr Robertson in making a proper disclosure to the Inland Revenue of its financial affairs, the tribunal said last November.

Among Mr Robertson's reasons for growing anxiety about taxation aspects of GRE's reinsurance transactions was that he was "thoroughly fed up with the clandestine manner" in which the company had dealt with his inquiries, he claimed in a letter of March 16 1987 which was given in evidence to the tribunal.

Mr Robertson, who is 49, called as a tribunal witness on his behalf Mr Peter Hoye, the Inland Revenue tax inspector who looked after GRE's affairs, who "clearly had every confidence" in Mr Robertson's integrity, the tribunal said.

A chartered accountant, Mr Robertson, was a member until his dismissal from GRE of the taxation panel of the Association of British Insurers (ABI). Another panel member, who said he has known Mr Robertson for 10 years, described him on Monday night as "a Scotsman, a man of very high principles."

Mr Robertson said yesterday that two officials from the Inland Revenue's Inquiry Branch interviewed him regarding GRE's affairs for 4½ hours on December 15 at his home in Ipswich. The Inland Revenue declined to comment.

Mr Michael Auld, GRE's head of information, also declined to comment last night. He said: "We are almost in a *sub judice* position. An appeal is pending. There is also an Inland Revenue inquiry in progress. We feel it would be improper to debate our case in public." The industrial tribunal, which sat in Bury St Edmunds, Suffolk, ruled early last November that Mr Robertson had been unfairly dismissed, and ordered his reinstatement. Several weeks later, the tribunal rejected an application by GRE for a review of its decision.

But GRE's subsequent refusal to reinstate him prompted Mr Robertson, who is now drawing unemployment benefit, to try on Monday to re-enter the GRE's head office tax department in Ipswich after informing the local press. Ipswich police said they removed him after being called to prevent a possible breach of the peace.

GRE lodged an appeal against the tribunal decision on December 24, the London-based Employment Appeal Tribunal said yesterday.

The transactions which led to inquiries by Mr Roberson were reinsurance arrangements between GRE and its overseas subsidiaries dating as far back as the 1970s, the tribunal found.

Mr Robertson discovered in 1982 that there were "certain irregularities" in a £3m reinsurance payment made to GRE's Australian subsidiary in 1974, it found. He later authorised an extra £1m payment of tax to the Inland Revenue to settle the matter.

The exchanges between Mr Robertson and his superiors which led to his dismissal occurred, however, after a separate series of events, after the Inland Revenue wrote to Mr Robertson on September 11 1986 with detailed queries regarding reinsurance transactions. In attempting to answer the letter, he asked for detailed information from other GRE officials, the tribunal found.

The tribunal said that Mr Robertson was suspended by the GRE on March 19 last year, and later dismissed, on grounds, according to GRE, that an allegedly abusive and belligerent series of memoranda and telephone calls to senior managers represented gross misconduct.

Mr Robertson had sent copies of letters about the matter to Mr J.E.C. Collins, GRE's chairman, Mr Charles Hambro, its deputy chairman, and executive directors including Mr Peter Dugdale, who is GRE's managing director and the ABI's chairman, the tribunal found.

The tribunal said that Mr Robertson claimed, however, that "the true reason" for his dismissal was that "his superiors realised that they would not be able to stop by any orthodox means his endeavours to obtain an explanation of the contrary conduct of two managers who had given certain information."

In a written decision dated November 12 1987, the industrial tribunal said: "We have unanimously decided that the reason for dismissal was not the reason put forward by the respondents (GRE). We are not prepared to say that all the reasons put forward by the applicant are what we would agree to be the reasons: we do not have to do that.

"We are, however, prepared to say that that we feel that the reasons which he has advanced in some considerable detail are very much nearer reality than those advanced by the respondents."

Teacher recruiting 'filling key gaps'

By David Brindle
Labour Correspondent

THE GOVERNMENT is claiming a marked success in its efforts to improve the recruitment and retention of teachers, particularly those in key "shortage" subjects of mathematics, physics, and craft, design and technology.

In its confidential evidence to the teachers' interim pay advisory committee, the Education Department says the number of teaching vacancies has been stabilised overall but has fallen in most of England and Wales and in the shortage subjects.

In addition, the department provides detailed figures for acceptances for teacher training last autumn. These show a general 13.4 per cent rise on 1986, but even steeper increases for the shortage subjects.

The number of acceptances for training in mathematics was said to have risen by 32.5 per cent for craft, design and technology by 34.8 per cent and physics by as much as 49.3 per cent.

While giving a warning that "there is still some way to go," the department points out that these improvements follow the Government's specific measures to boost recruitment and its award of an average 16.4 per cent pay rise for teachers.

The improvements will be welcomed by parents and employers who have grown increasingly concerned at reports of teacher shortages, especially in the sciences. But the teacher unions will be suspicious of the figures.

The unions will see the department's presentation as a ploy to persuade the advisory committee that there is no need for a big across-the-board pay rise, as opposed to the selective or regional increases advocated by ministers.

Mr Kenneth Baker, Education Secretary, has set a ceiling of £300m on the committee's recommendations for the salary review due in April. This is to fund not only general increases, but also a rise in London allowances due last July.

On the department's own calculations, previously unreleased, the £300m represents only 4.3 per cent of the salary bill of £7.01bn.

The department's figures for unfilled posts suggest that fears of widespread teaching vacancies may have been exaggerated. The figures, which cover only secondary schools, show an overall vacancy rate of 1.2 per cent in last year's count, about the same as 12 months before

BA and EC meet over BCal merger

BY TIM DICKSON IN BRUSSELS

REPRESENTATIVES of British Airways and the European Commission met yesterday to try and settle their outstanding differences over BA's recently agreed merger with British Caledonian, its UK rival.

They agreed to hold a further meeting within the next two weeks.

The talks in Brussels between senior Commission officials and Mr Robert Ayling, BA's legal director, over potentially anti-competitive aspects of the enlarged group, were last night described as businesslike by a Commission spokesman, although neither would comment on their substance.

The issues are considered highly sensitive because of the stakes involved: the EC's new powers to enforce competition in air transport and the smooth development of a major British stock market bid.

Officials in Brussels believe the British airline is taking the EC threat seriously, contrary to the impression inititally conveyed by Lord King, BA's chairman.

They hope that BA will come back to the next meeting with ideas about how to deal with the Commission's specific concerns.

These were first outlined to Lord King in a letter from Mr Peter Sutherland, the EC's Competition Commissioner, and relate to what are thought to be likely infringements of the EC's competition rules once the merger is complete.

The new APV doesn't just look different. It is different, through and through. We've brought together three world leaders in food and beverage process technology – APV, Baker Perkins and Pasilac. And we've restructured them into a powerful new force. Where there were two hundred local businesses, there are now under a dozen global businesses. Over 14,000 employees. And around £1 billion in sales. Where there was separation, there is now a single-minded determination – to beat the world in our chosen markets. And where there was individual excellence, there is now co-ordinated excellence – harnessed, organised, responsive to opportunities across the world. In food and beverage processing, in chemicals, in plastics and in printing, the new APV is in shape. To take on the world.

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Rate of savings falls to lowest level since 1959

BY RALPH ATKINS

BRITONS CONTINUED to increase their spending at a faster rate than rises in their incomes in the third quarter of 1987, pushing the rate of savings to the lowest level since 1959, according to official figures published yesterday.

The Central Statistical Office said savings as a percentage of total personal disposable income fell to 5 per cent in the period. That compares with 6.4 per cent in the second quarter of last year and a low of 4.2 per cent in the fourth quarter of 1959.

The third quarter also saw a sharp rise in profits of UK industrial and commercial companies. Separate figures from the CSO show a 7 per cent increase in profits, after deducting stock appreciation, between the second and third quarters.

The rise took profits to a level about 20 per cent higher than in the third quarter of 1986. But the figures are distorted by the inclusion of profits from British Gas, British Airways and British Airports Authority, which were privatised in the interim period.

However, the CSO said that after making broad allowance for the extra companies included, there was still a significant rise in profits between the third quarters of 1986 and 1987.

The fall in the savings ratio is explained partly by company pension holidays. The CSO also warns that personal savings are subject to a wide margin of error.

It says a better guide is the savings ratio for the first three quarters of 1987. Over this period, the ratio was about 6½ per cent compared with 7½ per cent in the whole of 1986.

Real personal disposable incomes, including an allowance for inflation, increased by 1 per cent between the second and third quarters of 1987. This pushed real incomes to a level 3½ per cent higher than in the third quarter of 1986.

Without any adjustment for inflation, personal incomes rose by 7 per cent in the year to the third quarter of 1987. That compares with a rise of about 9 per cent in consumers' spending in the same period.

Spending by consumers was boosted by profits from privatisation issues. Low inflation is also likely to have encouraged individuals to save less and spend more.

Spending may also have been stimulated by a sharp rise in dividends on ordinary shares paid by companies. These were 35 per cent higher in the third quarter of 1987 than in the preceding three months.

Gould aims to win City over to Labour

By John Hunt

MR BRYAN GOULD, the shadow Trade and Industry Secretary, is to launch a campaign to persuade industry and financial institutions that they would be able to work with a Labour government.

Over the next few months Mr Gould, the party's leading revisionist, will meet representatives of industry and commerce to outline a medium-term industrial strategy being discussed in the party.

Known as the Gould Plan, it is intended to lay the foundations of the kind of economy Labour wants to see in the 1990s and to set out the party's objectives in government.

Mr Gould, party campaign co-ordinator in the general election, will explain the policies simultaneously to audiences of trade unionists and constituency Labour parties in this further development of the Labour Listens campaign.

He said last night: "What we need is a medium-term industrial strategy which a government preoccupied with the short term has signally failed to provide. I hope to stimulate discussion, allay fears and build confidence."

The series of speeches will emphasise that Labour is no longer the party of so-called monolithic nationalisation but will be proposing a diverse system of social ownership. Investment, research and development will also be heavily emphasised.

A spokesman for Mr Gould said the intention was to dispel myths about Labour's attitude to industry and finance and to emphasise co-operation. In particular, Mr Gould wanted to "get rid of the myth that we want to plan everything down to the last detail."

The programme has the blessing of Mr Neil Kinnock, Labour leader, but is likely to upset the party's hard left and confirm its fears that the leadership is intent on moving away from its version of socialism.

Mr Gould will report back to review groups that are working on long-term revision of party policy in good time for the next general election.

The first speech will be given in Warwickshire this month. Next month he will address The Securities Association in the City.

Mr Gould will cover the importance of wealth-creation and the balance to be struck between manufacturing and services, and the availability of appropriate finance for industrial investment.

He will also speak on the problems of the regions, attitudes to inward and outward foreign investment, and the advantages and disadvantages of free trade.

Why ESOPs need not be a fable, Page 21

Introducing Joe Average and his tenth of a dog . . .

BY RALPH ATKINS

THE AVERAGE British citizen is a beer-swilling television addict owning about a tenth of a dog, reveals an official guide to Britain published today.

Britain 1988, compiled by the Central Office of Information, provides a snapshot of British life in the late 1980s. It is designed to be sold around the world in an attempt to explain to foreigners how the British live, work and enjoy themselves.

The 469-page guide finds increasing economic prosperity is allowing the British to live longer and spend more on leisure. The guide shows that the UK had a population of 56.8m in 1986 – about the fifteenth-largest in the world. Life expectancy was about 71 years for men and 77 years for women.

Television is by far the most popular leisure pastime. In 1985, 86 per cent of households had a colour set while more than 50 per cent had two sets. The average viewing time for the population aged four and over was 27 hours a week.

Walking and swimming are the most popular sporting activities, while there is increasing participation in aerobics, yoga, squash and cycling.

Britain has a dog population of more than 6m and a similar number of cats for them to chase.

About 60 per cent of the population took a holiday of four nights or more away from home in 1986. British residents took more than 17m holidays overseas. The most popular foreign destinations were Spain, France and Greece.

More meals are being eaten out, with take-away and fast-food shops growing strongly. Instant coffee and poultry consumption increased while per capita consumption of bread, eggs, milk, butter, sugar and tea fell.

Beer is Britain's most popular alcoholic drink. Lager accounts for more than half of sales. Light table wines are gaining popularity but sherry and port sales are static.

Nearly 20 per cent of adults are shareholders.

The guide notes the trend towards greater home ownership and the rising incomes of those in work. It also recognises the issue of alcohol abuse and says the growing misuse of drugs has emerged as "a serious social and health problem".

In 1986 there was a 7 per cent increase in notifiable offences recorded by the police in England and Wales compared with the previous year. For every 100,000 people there was one homicide and 1,876 burglaries.

Spending on the health service has increased faster than inflation since the 1980s, the guide says. Progress has been made in eliminating infectious diseases such as poliomyelitis and tuberculosis but AIDS poses a serious risk to health.

The guide, the 39th official handbook produced on behalf of the Foreign and Commonwealth Office, includes sections demystifying the machinations of British government and its financial and parliamentary systems.

Other quirks of the British way of life are also explained. Hence public houses are a "traditional social centre for many people".

Cricket is "among the most popular summer sports" and is sometimes called "the English national game". Darts "is played mainly in public houses as a casual recreation to accompany drinking".

Britain 1988, an official handbook. HMSO. £12.95.

CAA plans to monitor BA-BCal merger

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

THE CIVIL Aviation Authority is to set up special arrangements to monitor the progress of the merger between British Airways and British Caledonian Airways.

The move is to ensure that the takeover meets the requirements of the Monopolies and Mergers Commission and does not operate against the public interest.

At the same time, the CAA is being asked by the Department of Transport to speed the publication of a policy for air transport licensing that will take account of the long-term effects of the BA-BCal merger.

Lord Brabazon, Minister for Aviation, in a letter to Mr Christopher Tugendhat, chairman of the CAA, makes it clear that, as a result of the merger, there will be a new situation in UK civil aviation, requiring significant adjustments to licensing policies.

He says that the DoT expects the CAA policy guidelines, being discussed with the air transport industry, to take account of the substitution of one airline for another on specific routes, as well as anti-competitive behaviour, fares deregulation and route-licensing procedures.

"I am sure you will agree the importance of these consultations being brought to a speedy and productive conclusion," Lord Brabazon says.

The CAA will be required to ensure that BA fulfils its undertaking to the Monopolies Commission to pass back for reallocation some key routes flown by BCal.

These include five domestic routes (including Gatwick to Edinburgh and Glasgow) and three of the European short-haul international routes (Paris, Brussels and Nice) together with the licences for seven routes held by BCal but not currently flown.

Any airline, including BA, will be free to bid for those routes and licences. In the meantime, BA-BCal will continue to fly the routes.

BA has told the CAA that its overriding intention is for the merged airline to be accepted as a single carrier for the purposes of designation on international routes.

To this end, BA will change BCal's name to British Airways (Gatwick) and will operate it under the name of British Airways.

"BA intends this arrangement to be transitional only and in due course will transfer the whole of the business of BA (Gatwick) to British Airways plc," it says.

As soon as BA has taken total control of BCal, it will withdraw BCal's appeal against the granting to Air Europe of rights to fly many European routes previously also flown by BCal. This will effectively leave Air Europe as the UK "second force", short-haul international airline.

BCal chief confirms he will quit

By Michael Donne

SIR ADAM THOMSON, chairman and chief executive of British Caledonian Airways, being taken over by British Airways, confirmed yesterday he would not be involved in running the merged airline.

Sir Adam, 61, who is believed to have received about £3m for his shares and options in BCal, said yesterday he would stay on "for a few more weeks to see the merger off the ground" but would then leave.

"But I want to carry on working," he said, "make no mistake about it. I would like the work to be travel or aviation-related, or I may go into something else."

He denied some press reports that he intended to set up another airline. "I am not going to start one," he said. "It would be tremendously difficult to do so and one hell of a job to start one up in opposition to British Airways."

Sir Adam admitted to being disappointed at the failure of the bid by Scandinavian Airlines System to acquire a large stake in BCal. "Yes, I was sad about SAS, as that deal would have kept BCal in being. But that's life. We had a good try.

"I would have stayed as BCal chairman and chief executive had the SAS deal succeeded. My original plan was to stay on until I was 65. Now there's a lot of clearing up to do, but I should be gone in less than two months."

Lever halts Ulster deliveries over row

BY OUR BELFAST CORRESPONDENT

LEVER BROTHERS has stopped deliveries to Northern Ireland's leading supermarket chains following refusals by local companies to implement a 4 per cent surcharge.

Stewarts and Crazy Prices, subsidiaries of Associated British Foods, told Lever last month they would resist moves to increase prices in Northern Ireland.

Lever Brothers, a subsidiary of Unilever which owns brands including Persil, Domestos and Jif, recently reclassified Ulster as an island and announced that customers would have to pay the same rate as their counterparts in the Channel Islands.

Lever said the price increase was necessary to cover transportation costs, but Stewarts and Crazy Prices, which between them have 41 retail outlets in the province, said it was unjustifiable.

Stewarts' marketing director, Mr Robert McGivern, said yesterday: "I wrote to the chairman of Levers and told him we would pay only the UK rate for any order we placed.

"Their regional manager contacted me about the position as the new price rise came into effect on Monday.

"I restated our position and he said he would instruct his representatives not to call at any of our branches."

Mr McGivern said shoppers were extremely militant over the issue and fully supported Stewarts and Crazy Prices in their stand.

Yesterday, Procter and Gamble, Lever's main competitor, emphasised that they had no intention of changing their pricing policy in Northern Ireland.

The General Consumer Council for Northern Ireland has already urged people to shop around for the cheaper alternative brands.

However, with Lever refusing to deliver to the province's main supermarkets, the products are expected to disappear from *shelves over the next few days.*

Lever's annual turnover in Northern Ireland is around £10m of which about 40 per cent would be attributable to the chain stores.

House price rises 'set to slow'

BY ANDREW TAYLOR

HOUSE PRICE increases slowed considerably in the final quarter of 1987 and growth this year is likely to be lower than previously forecast, according to Nationwide Anglia, Britain's third-largest building society.

The society, which published its latest UK house price bulletin yesterday, said borrowers were having to find four times the average national income to buy an average-priced home.

The last time the house price to income ratio was this high was in the early 1970s, when annual house price increases fell from 42 per cent to 4.5 per cent in three years, said the society.

The chances of a similar slowdown in 1988 were very small, it said. None the less, increases in the UK were expected to be no more than 10 per cent to 12 per cent this year compared with a 16 per cent average increase in 1987.

In the south-east as a whole, the rate of increase was expected to fall from 23 per cent to about 15 per cent.

HOUSE PRICES IN 1987	Annual % change
Greater London	25
East Anglia	25
Outer London area	21
Outer south-east	20
South-west	17
West Midlands	16
East Midlands	9
North-west	8
Yorkshire and Humberside	8
Wales	4
N. Ireland	4
North	3
Scotland	1

Source: Nationwide Anglia Building Society

Nationwide Anglia said the decline was likely to be greater than other recent reports had suggested. The Halifax, Britain's biggest building society, predicted last month that UK house prices were likely to rise by 15 per cent on average during 1988.

Mr Brian Whitfield, Nationwide Anglia's general manager, said there were clear signs that the housing market was already cooling off, particularly in south-east England.

"The very high ratio of house prices to borrowers' income is clearly having an effect," he said. "First-time buyers are having to find more than 2.7 times their income to buy a property – the highest figure we have ever recorded.

"What we are seeing is a pause while incomes catch up with prices. It is by no means a slump, and there is no connection at all with recent problems in the stock markets."

Average house prices in the UK had risen by only 1 per cent in the fourth quarter of last year, compared with rises of 4 per cent or 5 per cent in each of the previous quarters. Prices now ranged from an average of £80,000 for a property in Greater London to less than £30,000 in northern England and Northern Ireland.

EC curb on Chinese knickers

By Alice Rawsthorn

THE EUROPEAN Commission has taken action to curb the influx of cheap, cotton knickers and underpants from China into Britain by imposing a quota on their import during 1988.

The British knitting industry, which is concentrated in the East Midlands, first became concerned about a sudden surge in the levels of imported Chinese knickers 18 months ago.

In 1986 more than 12.5m pairs of Chinese briefs came into Britain. But last year the influx accelerated to an estimated 60m pairs, representing a fifth of the volume of the British market, according to the Knitting Industries Federation.

This sudden surge in import levels posed a serious threat to the stability of the British knitting companies which have traditionally dominated the domestic underpants market. The Chinese briefs not only arrived in large quantities but were priced cheaply, imported at an average price of 21p a pair.

In the autumn, following lobbying from the federation, the Government agreed to impose a temporary quota on imports of knickers from China. The European Commission has now agreed upon a formal quota. This will restrict the level of imports to 30m pairs this year, half the estimated total for 1987.

Mr John Harrison, director of the federation, said that although this quota would enable Chinese manufacturers to capture a tenth of the British market in 1988, this level of restraint should protect the British industry against the threat of further disruption.

The imposition of quotas in future will be included within the ambit of this year's trade negotiations between the EC and China. Limits on Chinese knicker imports to France, Italy, West Germany and the Irish Republic were introduced several years ago.

CBI asked to support drive against crime

By Peter Riddell, Political Editor

THE GOVERNMENT is seeking the support of the Confederation of British Industry in its campaign to encourage private sector companies to become more involved in crime prevention.

The aim is that companies should take part in schemes to create safer neighbourhoods in places where they operate and have manufacturing plants or retail outlets, and where most of their staff live.

Mr John Patten, the Home Office minister responsible for crime prevention, is due to see Sir David Nickson, president of the CBI, on Monday to discuss possible initiatives to encourage business involvement.

The minister hopes that the CBI will pick up and publicise a recent series of crime prevention projects which involve more than just advice to lock and bolt factories.

A national crime prevention organisation is to be launched next month and there will be a large advertising campaign.

The Home Office has compiled a list of private sector projects. For instance, Norwich Chamber of Commerce, with police support, is sponsoring a scheme which provides rewards of £200 a week for information via an anonymous telephone line. At King's Lynn, local companies are financing 24-hour surveillance of a previously crime-ridden housing estate where many of their employees live.

Among the companies closely involved in crime prevention are the high street banks such as Barclays, which has provided £85,000 over two years to finance the salary of a demonstration project co-ordinator at Knowsley on Merseyside. The industrial group Vickers has provided £21,000 to contribute towards the salary of a project co-ordinator in Crewe.

Hanson Trust and National Westminster have both seconded staff to the Home Office's crime prevention unit.

Among others involved in such projects and in providing advice are Midland Bank, Halifax Building Society, J. Sainsbury, Kleinwort Benson, General Electric Company, Metal Box, Racal and International Business Machines.

Whitbread acquires US rights for Beefeater gin

BY MAGGIE URRY

WHITBREAD, the UK drinks group, has obtained the US distribution rights for Beefeater gin and the other brands owned by its James Burrough subsidiary.

Although Whitbread acquired Burrough for £170m in an agreed deal last September, Burrough had a long-term contract with Kobrand Corporation which handled import, marketing and distribution of its brands in the US.

This arrangement will cease on February 29. From March 1 Whitbread's Buckingham Wile division will take over. Whitbread would not disclose the terms of the deal yesterday. However, the assumption is that it would have had to pay Kobrand a significant sum to regain the business.

Whitbread will gain the distribution profits from Beefeater as well as possible economies from adding that brand to the Buckingham Wile distribution business. The deal will also add marketing weight to Buckingham Wile, which distributes only one other big brand, Cutty Sark scotch whisky, in the North American market.

Despite losing top place among imported gins in the US, Beefeater sells 1m cases a year in North America out of worldwide sales of 2.2m cases. City analysts said yesterday that control of Beefeater's marketing might enable Whitbread to regain market share.

Last week Whitbread settled a legal battle over Buckingham Wile's loss of the distribution rights to Mouton Cadet wine and Finlandia vodka.

Plastics plant for Lancashire

By Ian Hamilton Fazey, Northern Correspondent

SANKO GOSEI, one of Japan's leading designers and makers of moulds for plastic components, is to set up a £6m plant in Skelmersdale, Lancashire.

The company is also to transfer technology to five UK companies so that Japanese manufacturers in Britain will be able to buy more components locally and cut imports.

The project will create 120 new jobs and the Department of Trade and Industry is giving £1.3m towards the cost.

The new plant will be in two adjoining factories totalling 26,000 sq ft.

The deal has been negotiated principally by Inward, the north-west's investment agency, and Marubeni, the Japanese trading house.

Bank to raise £1bn in last gilts trial auction

BY SIMON HOLBERTON

THE Bank of England yesterday announced the third and last of its experimental auctions of gilt-edged stock with a £1bn issue of medium-term gilts to be sold next Wednesday.

It said it would issue an existing stock – the 8¾ per cent Treasury Loan 1997 – which would be partly paid and free of withholding tax to foreign investors.

Prices for gilt-edged stock with similar maturities to the auction stock weakened after the Bank announced auction terms. That of existing 8¾ per cent 1997 stock fell $^{9}/_{16}$ of a point to yield 9.76 per cent at the close.

Analysts had hoped the Bank would have issued a smaller amount of shorter maturity to attract domestic investors. They said sterling's weakness against the dollar yesterday also unsettled sentiment.

The main interest could come from foreign investors; they were active buyers of medium-dated stock previously and the free-of-tax provision was another incentive.

The Bank and the Treasury will consult on the auction system's future after the offering but there is no firm timetable for a decision.

The two auctions previously held, last May and September, were technical successes but had only moderate appeal to many.

The stock will be designated 8¾ per cent Treasury Loan 1997 C. Dividend will be paid on March 1 and September 1. It will mature on September 1 1997.

Bank to move 800 City staff

By Paul Cheeseright, Property Correspondent

THE BANK of England plans to reduce its running costs by moving 800 staff out of the City of London. A shortlist of possible locations will be drawn up in the spring, although the final move is some years away.

The plan will affect the registrar's department, housed in a post-war building on New Change, to the east of St Paul's Cathedral. The move comes as a result of City accommodation costs which have reached more than £60 a sq ft.

The Bank holds the New Change building on a 200-year lease from the City of London Corporation. The building has about 400,000 sq ft of office space, and once vacated could be re-let or redeveloped.

Electricity body opposes area board mergers

By Maurice Samuelson

THE ELECTRICITY Consumers' Council has backed proposals that the 12 area electricity boards of England and Wales should be sold off individually rather than be combined in a smaller number of big regional companies.

The council said in a report published yesterday that if the distributors of electricity could substantially increase their influence over electricity production, "there is no overwhelming case for significantly reducing the number of distribution companies."

Retention of the 12 companies seemed "the most desirable option," said the council, the statutory watchdog body of electricity consumers.

Its findings echo those of a report published last November on behalf of the 12 area boards, and give little support to the ambitions of Sir Philip Jones, chairman of the Electricity Council, the industry's umbrella body, to set up a holding company to handle marketing.

Privatisation and the Area Electricity Boards, Privatisation Discussion Paper 5, Electricity Consumers' Council, Brook House, 2/16, Torrington Place, London WC1E 7LL.

Alice Rawsthorn assesses the impact of Richard Branson's Mates on the booming condom market

Converting a generation to the idea of insulated sex

WHEN Mr Richard Branson, the architect of the Virgin pop music empire, announced his intention to introduce Mates, a brand of condom, as a weapon in the battle against AIDS he threw the British condom market into turmoil.

Mates was conceived as an inexpensive form of contraception that would coax a new generation of young people to use condoms both as a form of birth control and as a barrier against AIDS, with profits from its sales ploughed into a campaign to raise awareness about the disease.

Yet Mates faced the task of transforming the condom – which until AIDS seemed doomed to be the least fashionable form of contraception – into an acceptable means of birth control for the young and sexually aware. Mates has now been marketed for more than two months and is being introduced to other countries this year.

The condom, or something very like it, has been one of the most common forms of contraception for centuries. Fish intestines and animal hide were used in its earliest guises. The more fastidious libertines of the 1700s and 1800s favoured silk.

THE VIRGIN Healthcare Foundation, the charitable trust formed last autumn by Mr Richard Branson, the pop music entrepreneur, plans to introduce Mates condoms to other countries this spring.

Mr John Jackson, chief executive of Mates Healthcare – the foundation's trading arm – said sales were running 50 per cent ahead of target and estimated that more than 35m Mates condoms were sold to retail customers in the 10 weeks between the launch and the end of 1987.

The foundation is finalising plans to sell Mates internationally. Mr Jackson said the marketing strategy would be adapted to suit countries' specific needs.

He said that Mates Healthcare should have made a modest profit in its first 10 weeks.

The cost of establishing the foundation was underwritten by Mr Branson, but Mates had already covered its start-up costs and the funding for its first advertising campaign.

It was in the 1920s that production of rubber condoms began. The first mass-manufactured condoms were developed in Germany. In the mid-1930s the London Rubber Company – now renamed London International – established a British production plant.

During the Second World War the LRC increased its share of the British market as the flow of imports from Germany ceased. When the British Government decreed that manufacturers using latex must restrict their output to a single product because of supply shortages, the LRC was the only company to choose condoms. Its Durex brand has dominated the market since and before the launch of Mates claimed 95 per cent of all sales.

London International is also the leading player in the European market. Since its acquisition last year of HAFU-ICO, the largest Italian condom manufacturer, it has claimed 50 per cent of sales in western Europe. The US market is dominated by Carter-Wallace with its Trojan brand.

Over the years several companies have challenged Durex. Warner-Lambert launched an ambitious assault with its Lifestyle condoms a few years ago, but two factors have inhibited prospective competitors.

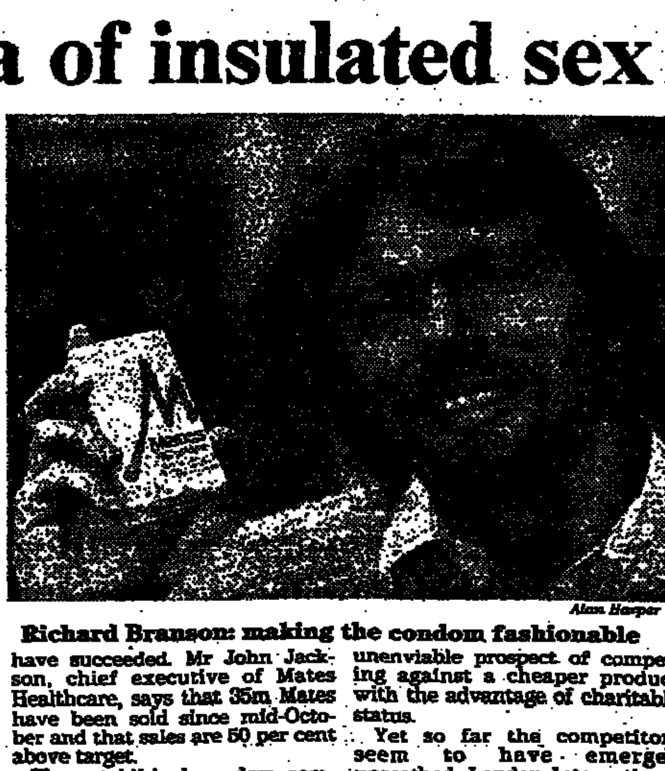
First, the cost of joining the market has been prohibitively high, given that condom sales were relatively small – just £21m in 1986 – and that it would require a heavy investment to oust as well-established a brand as Durex.

Second, condom sales have declined steadily since the introduction of the contraceptive pill in the early 1960s. The fall slowed down from the mid-1970s as concern grew about the pill's side-effects, but by 1986 only 110m condoms were sold in Britain.

Until AIDS, the condom was little more than the butt of "is there anything else, sir?" adolescent jokes. However, the discovery that it could act as a barrier against AIDS has encouraged sales throughout the world.

From the outset the Virgin Foundation emphasised that the aim of Mates was to increase the condom market by drawing in younger consumers, not to steal sales from competitors.

Initial research suggests it may have succeeded. Mr John Jackson, chief executive of Mates Healthcare, says that 35m Mates have been sold since mid-October and that sales are 50 per cent above target.



Alan Harper

Richard Branson: making the condom fashionable

The established condom companies, even London International, have been faced with the unenviable prospect of competing against a cheaper product with the advantage of charitable status.

Yet so far the competitors seem to have emerged unscathed. London International says its sales growth has continued since the Mates launch.

London unit trust companies merge

TWO London-based unit trust companies owned by foreign financial institutions have merged their operations. Dumenil Unit Trust Management, part of the French Dumenil Leble group, has bought EBC Amro Unit Trust Management, owned by Amro Bank of the Netherlands.

Total funds under management will amount to some £60m.

THE COMMOD
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TECHNOLOGY

TWO KEY pieces of the UK Government's plan for reshaping British science with greater emphasis on exploitability dropped into place late in 1987.

Although just a beginning, each is an illustration of a feature which dominates Government thinking about research and development (R & D). They are also underpinned by a novel collaboration between academics: a kind of collaboration which the academic community – not only in Britain – has previously powerfully resisted.

First came the Centre for Exploitation of Science and Technology (CEST). Envisaged as a British version of US think-tanks like the Brookings or Hudson institutes, CEST's role is to help improve Britain's ability to exploit R & D, imported as well as home-grown. Above all, it will back up the Advisory Council for Science and Technology (ACOST), headed by Sir Francis Tombs, Rolls-Royce's chairman. ACOST in turn reports to John Fairclough, the Government's chief scientific adviser.

CEST was conceived two years ago as a missing ingredient in a nation which had neither a science nor an industrial policy. A study by the Government's technical advisers revealed a yawning chasm between industry and the science community. Tombs himself has been instrumental in persuading Britain's big science-based companies to find some £5m for CEST, and the Government has added another £1m.

"Our task is to encourage research in promising aspects of new technology where there are commercial opportunities which can be exploited for the national benefit," says Sir Robin Nicholson, chairman of CEST's steering committee. Nicholson, technical director of UK glass company Pilkington – one of 18 subscribers so far, of about 40 companies approached – preceded Fairclough as the UK Government's chief scientific adviser, and laid the foundations for the new plan.

From the start the idea has been that CEST should be hosted by a university, but operated as an independent centre under a strong chief executive, preferably someone with both academic and industrial experience. The successful bidders were a consortium of seven universities and polytechnics in north-west England, which pooled talents to make a compelling case.

The consortium won because the academics involved – led by Professor Mark Richmond, vice-chancellor of Manchester University where the think-tank is to be located – showed excellent understanding of the purpose of CEST and its objectives. It also had strong industrial backing in the north-west, says Nicholson. "It really had everything".

Nicholson stresses that CEST will not be an agent of either Government or its university hosts. "We really want to interact directly with industry and with the research community." Some universities saw it simply as a new source of income that would be under their own control.

Topics from which next three University Research Centres will be chosen

- Surface science
- Synthesis and characteristics of semiconductors and novel materials
- Molecular sciences
- Lasers in manufacturing
- Engineering design
- Process simulation, integration and control (possible joint venture between SERC and AFRC)
- High temperature superconductors (focusing on power engineering)

Sir Martin Wood

Britain adds two pieces to the scientific jigsaw

David Fishlock explains how R & D policy is being reshaped

The second piece of the grand plan dropped into place in mid-December. Cambridge University was chosen to host the first of the Government's new University Research Centres.

Cambridge won because it could demonstrate that no fewer than five different departments were already collaborating informally on the subject chosen – the newly-discovered possibilities of ceramic superconductors.

The University Research Centres (URCs) have a vital role in the Government plan, as agents of change. They will be laboratories devoted to a specific scientific opportunity believed to have the promise of being exploitable within about ten years. The accompanying list shows seven topics from which three more URCs will shortly be chosen by Government research managers.

The idea is to set up and manage a directed research programme. Fairclough believes Britain must speedily set up 30 to 40 URCs to bring about the changes he seeks in British science. Those changes can be summed up simply as a science base more responsive to society's wishes.

Although CEST played no part in the Cambridge decision, it is expected to have a vital role in the grand plan, helping to identify the most suitable topics for other URCs. Fairclough himself was particularly keen that the first should focus on the new ceramic superconductors. He sees it as an opportunity which has aroused immense interest in society generally, but also a good test of academic readiness to break down traditional barriers and embark on truly multidisciplinary research programmes.

Sir Martin Wood, founder and deputy chairman of Oxford Instruments and chairman of the Government committee responsible for co-ordinating superconductor research, says Cambridge was chosen because it already had in place some key features his committee was seeking. Foremost was the informal collaboration begun early last year between leading scientists in the departments of physics (the Cavendish Laboratory), chemistry, materials science and metallurgy, engineering, and earth sciences. Cambridge's so-called "high-temperature superconducting group" even had its own letterhead. It also had a lot of high-powered research tools already marshalled for a fast start for the new programme. "I believe it is going to be a world-beating laboratory," says Wood.

As he sees it, this URC, backed by £5.3m from the Science and Engineering Research Council (SERC) over the next six years, will be the lead laboratory in a three-tier programme of Government support. The second tier will include such schemes as the Harwell-based club of companies and Oxford university departments, also expected to attract Government support, together with runners-up for the URC, such as Birmingham, Warwick and Liverpool universities.

The third tier will be smaller university and polytechnic efforts. SERC is expected to find an extra £1m in 1988 for academic research on new superconductors outside the Cambridge URC.

SERC has received about 70 proposals for URCs, says Professor William Mitchell, the council's chairman, and former head of the Clarendon Laboratory, Oxford's department of physics. He expects to fund three more URCs in 1988-89 – two with new Government money – and to chose the sites at the council's meeting next month.

Within the academic community, the URC is still regarded with considerable suspicion and resentment, as an infringement of the traditional freedom to pursue knowledge free from plebian restraints.

The Government invited written criticism of its proposals for change and by the deadline of end-October received 230 submissions. A collective one signed by 16 learned societies representing a wide span of science accused the Government of being "overconcerned with the means by which research is managed and directed." It disagreed strongly with the concept of URCs.

Professor Sir David Phillips, the eminent Oxford biophysicist who also acts effectively as chief scientific adviser to the Department of Education and Science, is widely seen as the man who is trying to foist this concept on Britain's universities, instead of simply fighting for more funds for the scientists to spend as they choose.

Phillips admits diplomatically that perhaps he has failed to share properly with the academic community his own abiding worries about the state of science in Britain. He believes funding has remained about the same in real-money terms – "steady state" – for the past 14 years, while the real cost of doing research has been escalating owing to something called the "sophistication factor". Like defence equipment – and for the same reasons – scientific equipment has been escalating in complexity and hence price much faster than the economy. Even what used to be seen as "small science" now needs several million pounds to set up.

On the other hand, Phillips reminds the scientists that a Government paper in 1971 warned that science had probably already passed the peak of its growth in funding. The science community failed to heed this message. For 16 years it had tried to ignore the unpalatable fact that the only way to accommodate a budget that was not growing was through greater selectivity, and more internationalisation of its chosen projects.

"There are fundamental managerial and structural problems to be addressed," Phillips says. The URC attempts to address the problem of selectivity in science.

Mitchell says bluntly that in one important respect – namely the multidisciplinary basis of the URC concept – there seems to be widespread misunderstanding among academics. The idea is not to train generalists rather than specialists. It is simply to bring several different kinds of specialists to bear on the same challenge.

Mitchell dismisses as "total nonsense" the notion that management of research – implicit in the URC concept – will stifle initiative and discourage the young. As envisaged at present, each URC will have a small core staff provided with long-term funding, up to 10 years in some cases. But such centres will be used freely by both academics and students, either funded by grants or on secondment from a university post.

URCs will be devoted to strategic research programmes, for which academics have proposed about 70 topics already. True, there will be industrial scientists on their steering committees but that does not mean URCs will be extensions of industrial research centres.

The URC concept is better seen as a model rather than a blueprint, Mitchell says. He believes URCs are essential for the kind of structural changes Britain urgently needs to bring to its science. But it will not be the only way of supporting science in future. He foresees perhaps 20 per cent of research grant support going into the URCs.

The Cambridge URC will be in the Cavendish Laboratory and its director will be a university appointment, says Sir Martin Wood. The director will be responsible for co-ordinating its research both within the university and with other centres in the three-tier national programme. None of the founding five Cambridge scientists wishes to relinquish his own research for the post of director.

It was a difficult and time-consuming decision to make, says Wood – "probably the most difficult decision I've made." It was a very political decision inasmuch as it was being watched closely by John Fairclough who, together with his Cabinet Office science secretariat, had persuaded the Treasury to find new money for the URCs. "We were developing the theory of what a URC should be, at the same time as deciding where it should go," Wood explains.

WORTH WATCHING

Edited by Geoffrey Charlish

Toshiba pushes for super ship design

WHEN THE new, higher temperature superconducting alloys are available in commercial form, a Japanese high technology shipbuilding venture will be in a good position to use them for fast "electromagnetic" ships which create no vibration and will be very economical to run.

The venture, sponsored by the Japanese Ministry of Transport and the Japan Foundation for Shipbuilding, has just tested the concept on a two-metre model, which achieved a speed of two metres per second (4.5 mph). But the designers, Toshiba, had to use high-cost, conventional niobium-titanium superconducting alloy systems, operating at liquid helium temperatures.

There are no propellers. Instead, a duct runs along the ship's length below the water line. Water entering the front is accelerated by an electromagnetic thruster and ejected from the rear.

The thruster works on the basic electrical motor principle that a conductor carrying a current, placed in a magnetic field, experiences a force. In the ship's duct, the water forms the conductor and the electrical current is forced through it, across the duct, by means of two electrodes (plates) carrying a suitable voltage.

At the same time, superconducting coils produce a large magnetic field, also across the duct but at right angles to the electrical current.

Within three years, Toshiba hopes to equip a 150-tonne, 22-metre vessel.

High-speed concrete takes to the floor

CONCRETE FLOORS can be laid at the rate of 2,450 tonnes a day by Machine Applied Laser Concrete, a subsidiary of Hughes Group (Holdings) of Llanelli in Wales.

Using a modified US-made machine, less than a day was taken to put down 530 cubic metres of flooring at the group's 36,000 square feet development at Pontypridd, a task which the company claims would take anything from a week to 10 days using conventional labour-intensive methods.

Hughes Group has invested £0.25m in the machine, which uses a hydraulically operated vibration unit to drag and level concrete dumped on the floor area by lorries. The system speedily smoothes the concrete under the guidance of a laser levelling system. "The problem the machine poses," says Clive Hughes, managing director, "is finding concrete suppliers who can keep pace with its monstrous appetite."

Curtain brought down on smoke and fumes

KOOLSHADE of the UK has introduced a fire proof curtain which can control the spread of smoke and toxic fumes in corridors. It can be stored on a roller tube and fixed in, or to, a ceiling.

The roller is held in position by an electromagnetic brake. When a suitably placed smoke detector senses a fire, the screen unrolls using its own power supply, or the mains. In the absence of both power sources it can be pulled down by hand.

Two curtains are available. One descends to just above head height (smoke and fumes descend from ceiling level) and the other is divided, with an overlap, to allow people to pass through while still inhibiting the passage of fumes.

The fabric used for the screen has been tested to appropriate British standards for surface spread of flames. It can be overprinted with emergency messages.

CONTACTS: Toshiba: Tokyo, 457 2104. Hughes Group: UK, 0554 756571. KoolShade: UK, 0705 454405.

Dear Mr. President, Help!

Pan American Satellite

December 29, 1987*

President Ronald Reagan
The White House
Washington, DC 20500

Dear Mr. President:

As you may know, Pan American Satellite, a U.S. company, will launch the first private international communications satellite within the next 90 days. Private international satellites, separate from the Intelsat system, were authorized by you in November, 1984, as being in the national interest.

Unfortunately, Intelsat, which is owned by the world's Postal Telephone & Telegraph authorities, has never shared your enthusiasm for competition, nor relished your directive which allowed limited competition to the Intelsat system. It responded by passing a resolution binding its member countries not to deal with U.S. alternative satellite systems.

For the past two years, Pan American Satellite has been trying to negotiate landing rights for its signals between the USA and Great Britain. We have had numerous meetings with both British Telecom and Cable & Wireless, both British communications carriers, to no avail. British Telecom and Cable & Wireless are Intelsat signatories and thus part and parcel of the boycott resolution. Cable & Wireless admits to being afraid of doing business with us for fear of reprisals from the European PTTs in markets they are trying to enter.

Yet, while we are locked out of Great Britain, Cable & Wireless is actively engaged in the telecommunications business in the United States. Recently, they applied to the FCC to provide international telephone service between the United States, France, India and Australia. This is a fortuitous opportunity for the United States to take a strong stand to back up its policies on separate international satellite systems and to open recalcitrant foreign markets to U.S. goods and services.

The State Department, Commerce and the FCC have all been diligently pressing your views with their counterparts in Great Britain. But Intelsat is well aware that its strategy to destroy U.S. alternative satellites becomes vulnerable if we are successful in securing British landing rights. Just how vulnerable is illustrated by the fact that Intelsat lobbyists are making the rounds in Washington pleading Cable & Wireless' case.

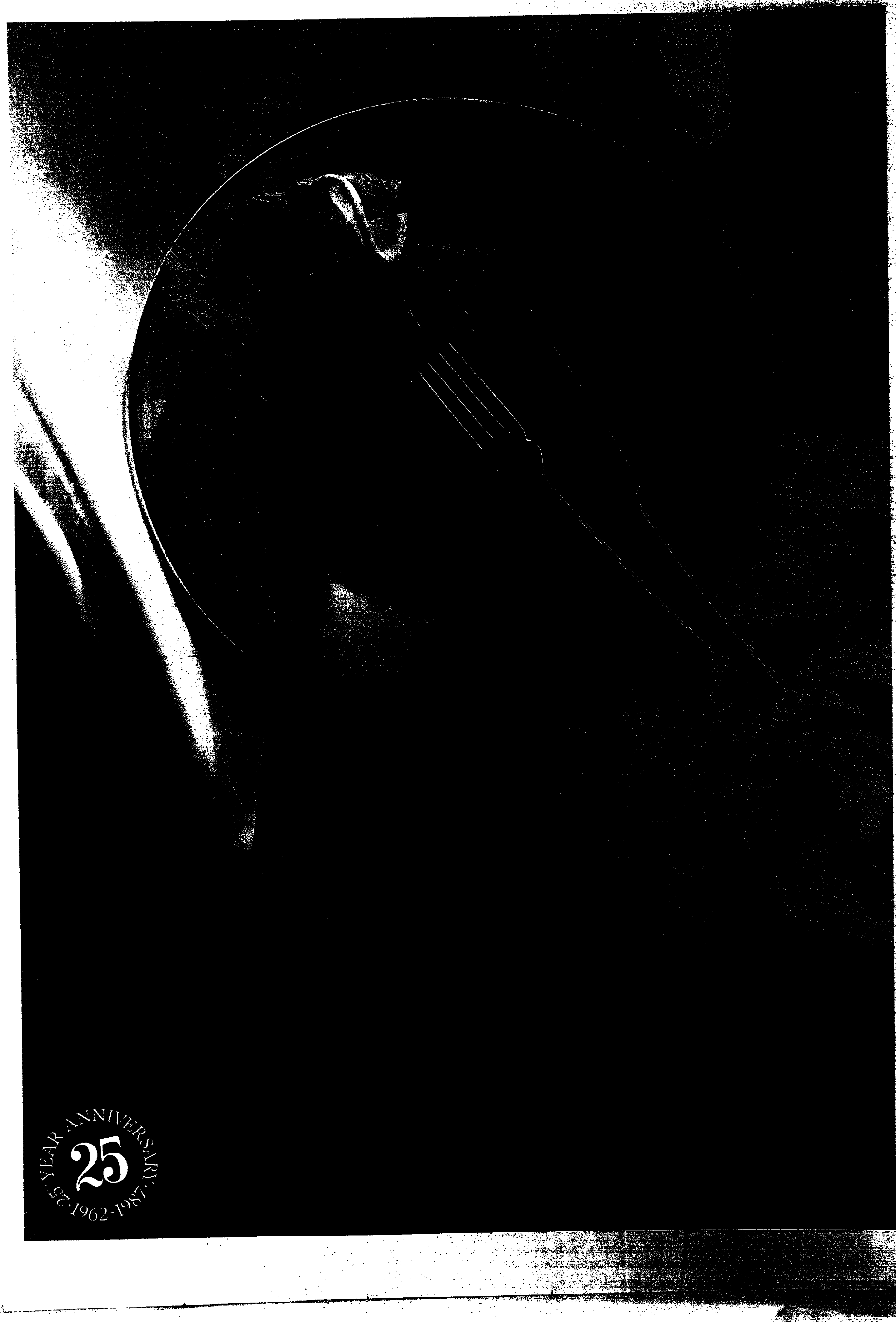
A word from you could be decisive. All Americans are aware of the role you and Prime Minister Margaret Thatcher played in successfully intervening with the Japanese government on behalf of Cable & Wireless and an American company, Pacific Telesis, when they were seeking to become part of the consortium that will build an underseas fiber optic cable link to Japan. Could you now remind Mrs. Thatcher of your help in opening up the Japanese market for Cable & Wireless, and then point out to her that one of your U.S. companies is having a similar problem getting into her country.

My experience is that it will take this kind of reminder, coming from the top, to gain our entry into Great Britain. This, plus no action by the FCC on the Cable & Wireless application until Great Britain opens its market to U.S. separate satellite systems, should get the message out that the United States is serious about trade reciprocity.

Sincerely,

Rene Anselmo, Chairman
Pan American Satellite

*Text condenses and paraphrases a letter sent to President Ronald Reagan by Rene Anselmo, Chairman, Pan American Satellite.


25 YEAR ANNIVERSARY
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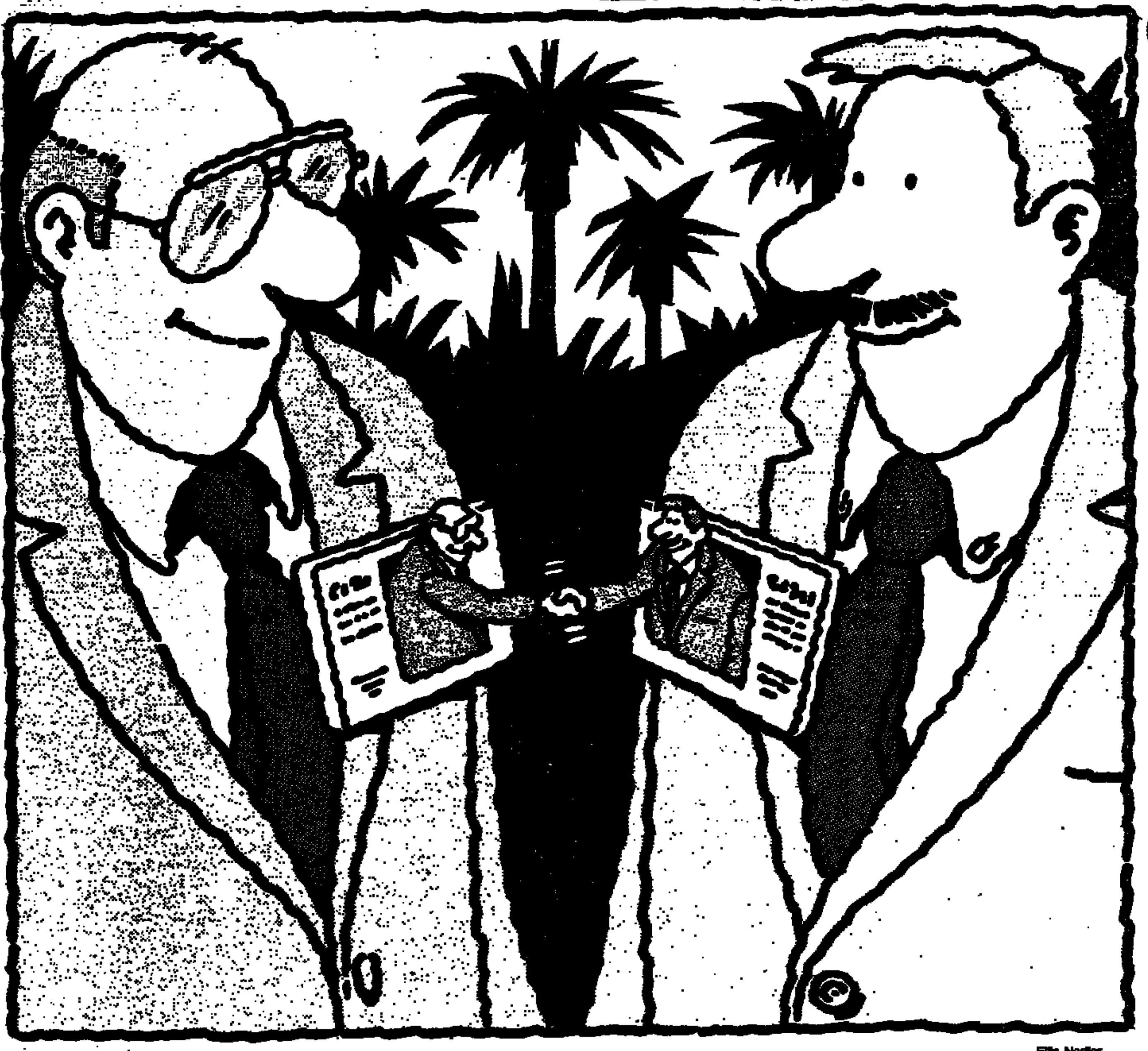
FINANCIAL TIMES SURVEY

The conferences and exhibitions industry has continued to be one of the most buoyant of Britain's marketing services sectors. David Churchill explains why this is so and argues that there is still room for growth to meet the increasing demand for better communications

A handshake of success



Ellis Nadler

Conferences and Exhibitions

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THE CONFERENCE and exhibition business in the UK and overseas continues to go from strength to strength. Bringing together groups of people is increasingly being seen as one of the more effective marketing and communication tools in the 1980s.

Yet, paradoxically, conference and exhibition organisers are facing more scrutiny than ever before from companies which are seeking greater value for money and wanting to target their audiences more closely. This extra scrutiny reflects in part the fact that companies are taking conferences and exhibitions more seriously than before, when many felt they were just an excuse to have a good time rather than do serious work.

The other reason for the increased scrutiny is the rise in costs, especially for exhibitions. Figures from the Incorporated Society of British Advertisers show that during 1985-86, rental costs for exhibition stands rose by just under 10 per cent, compared with an increase of 3 per cent in the previous year.

Exhibition stand construction costs are also calculated to have risen by about 10 per cent in 1986, making it clear that the cost of appearing at an exhibition is running well ahead of the general inflation rate and ahead of many other forms of media.

The ISBA figures also show that expenditure on exhibitions (including agricultural shows) in 1986 totalled some £430m, compared with £350m in the previous year.

It is harder to give precise figures about the conference industry itself, since it encompasses so many different venues and there is no central co-ordinating body. But conservative estimates suggest that at least some £1bn a year is spent on conferences of all types in the UK.

Why are conferences and exhibitions doing so well? Clearly the strength of the UK economy in the mid-1980s has been the key factor. As companies have searched for new markets in the expanding economy, so they have turned to new methods of communication to get their messages across to target audiences.

"The development of exhibitions stems from the growing realisation that they are a highly cost-effective marketing tool," says Mr David Jones, managing director of Queensdale Exhibitions and Conferences. "Conferences are also expanding into 'multi-programme' events and are booming now that communications are regarded as increasingly important."

Queensdale is part of the Blenheim Exhibitions group which is putting on International Confex, the main trade exhibition for the UK conference and exhibition sectors, at the Business Design Centre in Islington, North London between January 13 to 15.

All the leading conference venues and hotels will be represented at Confex and the exhibition space was sold out some four months ago.

Another key factor in the growth of conferences has been the increased willingness of companies to use conference facilities to train their staff in improving quality of service throughout the company.

"In the past we were involved almost exclusively in helping our clients to communicate with their salesmen and with dealers and distributors," says Mr Peter Berners-Price, chairman of specialist conference company Spectrum Communications. "But we are now more often communicating with other employees as well."

Mr Berners-Price suggests that these changes call for similar moves in the supply of conference facilities. "The operation that was satisfactory for dealing with the occasional sales or dealer conference is simply not adequate for dealing with the more regular and broader range of group communications and training," he says.

"Client companies are starting to appreciate the value of the kind of continuing relationships they have always had with their advertising agencies. A few years ago Ford led the way when it gave the whole of a year's conference work to one production company and other companies are currently considering this."

The buoyancy in the overall market has been helped by the growth of overseas visitors to UK conferences and exhibitions.

"Since 1980 overseas business visitors' expenditure in Britain has increased by 208 per cent, from £734m to £1.5bn," says Mr Michael Medlicott, chief executive of the British Tourist Authority. "The number of business visitors has risen from 2.5m in 1980 to nearly 3.3m in 1986."

The BTA is very conscious of the importance that conferences and exhibitions play in generating revenue from overseas. It estimates that UK conferences earned a record £100m from 213,000 overseas visitors in 1986.

"Britain now has a 10 per cent share of the market for international conferences and association meetings," says Mr Medlicott. "And we can look forward to extra international trade following international business visits."

London vies with Paris as the most popular city for large-scale international conferences, even though it has been criticised in the past for lacking some of the top conference and exhibition venues that are available in other European cities. The British Exhibition Venues Association found in a recent survey that London was the clear preferred location within the UK for trade or industrial exhibitions. But for exhibitions open to the public there was no preferred venue.

London has taken such criticisms to heart in the 1980s, especially the Earls Court and Olympia complexes which have invested some £25m in recent years on modernisation schemes, as well as spending £3.5m on a new purpose-built conference centre at Olympia.

"We built the conference centre because of the clear need in London for an attractive meetings unit which can also provide ample exhibition space alongside," says Mr David Fasken, managing director of Earls Court and Olympia.

"There is a shortage of space in London for the exhibition-led conference and the conference-led exhibition," he adds.

The need for such top-class venues prompted the Government to commission the Queen Elizabeth 11 conference centre just opposite the Houses of Parliament in Westminster. Other new London venues coming on stream in the next few years are the rebuilt and refurbished Alexandra Palace and two new ventures in Docklands – the London Venue and the London Dome.

Outside London, there has been a corresponding increase in facilities. The Harrogate conference centre opened in 1982 and Manchester's G-Mex conference and exhibition centre in 1986.

But much of the limelight in recent years has been captured by the National Exhibition Centre outside Birmingham. The city council has just invested a further £40m to expand the NEC by adding three new halls by January next year. The expansion is part of a master plan which will eventually double the size of the NEC.

Mr Terry Golding, NEC's chief executive, says that "by making an investment of this sort, coupled to the £121m commitment to the International Convention Centre due to open in the centre of the city by early 1991, the council will help keep Britain at the forefront of the world's exhibition and conference business."

The UK conference and exhibition industries, however, are well aware of the increasingly competitive market for top conferences and exhibitions worldwide. Later this year, for example, the new Hong Kong Convention and Exhibition Centre opens with a conference hall for 2,600 delegates and an exhibition area of 18,000 square metres.

Allied Dunbar, the financial services group, is one of a number of UK companies which has already used Hong Kong as a venue. "The decision to use Hong Kong was a combination of value for money, suitability of conference facilities for a large delegation, plus the undoubted appeal of the Far East," says Mr Patrick Purdon, conference director for Allied Dunbar. "We would consider returning to Hong Kong in the not-too-distant future."

Allied Dunbar is not alone in taking some of its conferences to overseas destinations. While the UK has attractions for many overseas companies and groups as a conference destination, a similar appeal exists for British companies wanting to stage a conference overseas.

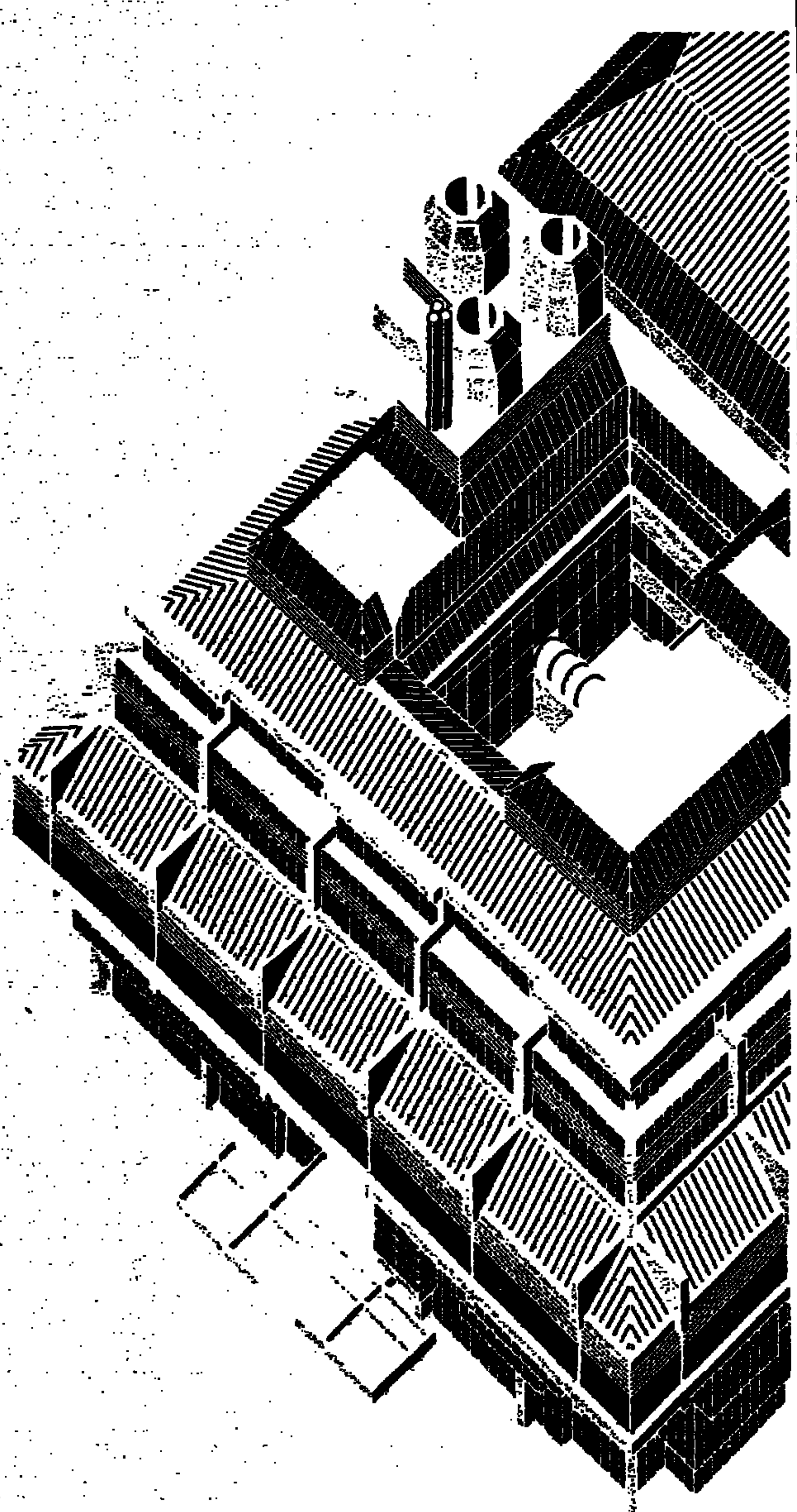
It makes considerable sense to take executives or customers to a captive destination where they can be told about corporate objectives. Yet much of the growth of conference travel in the 1980s has been of an incentive nature, as well as straightforward work trips.

While conference and incentive travel continues to grow steadily, companies are finding that they have to turn to more exotic destinations – such as the Caribbean or the Far East – to maintain interest.

Will the conference and exhibition industry continue to expand in the 1990s? There has been a cyclical element to the business in the past – conferences and exhibitions held every few years or in different countries, for example – but most observers remain optimistic.

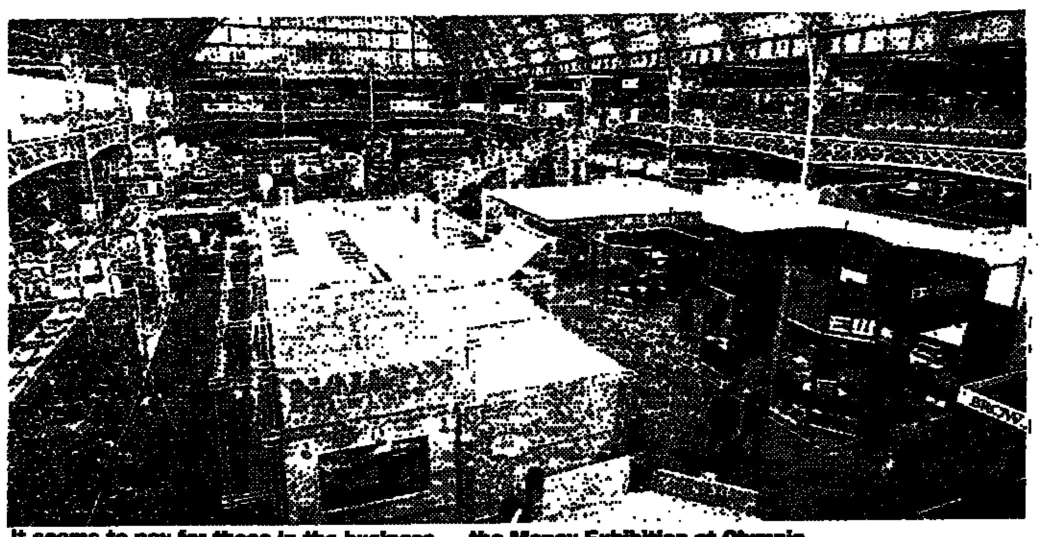
"Although the UK exhibition industry has been expanding steadily over a number of years, it is interesting to contrast our situation with that of Germany," points out Mr John Cole, marketing manager of Birmingham's NEC. "German companies on average reserve 25 per cent of their promotional budget for exhibitions, while in the UK that figure is nearer to 10 per cent."

British companies may still baulk at spending a quarter of their promotional budget on exhibitions, but there is clearly room for the exhibition industry to persuade the corporate sector to spend more in the years ahead. This, allied to the strong demand for conferences of all sizes to meet the growing needs for group communication, should leave the conference and exhibition industries well placed for the 1990s.



Does it pay to exhibit?

The crunch test of value for money



It seems to pay for those in the business ... the Money Exhibition at Olympia

THE WORLD Travel Market held last month at London's Olympia exhibition centre brought together 2,250 exhibitors and almost 45,000 visitors – making it by far the most successful exhibition ever for the world tourist industries.

It was first held at Olympia in 1980, the result of an idea conceived jointly by Reed Exhibitions and the British Tourist Authority. Since then, the exhibition has expanded to include all available space at Olympia and exhibitors are now grouped into regions of the world, making it easier for visitors to find their way from one continent to the next.

But like all conferences and exhibitions, the World Travel Market (WTM) was expensive in terms of resources and time used for both visitors and exhibitors. Are such events worth it?

"Without doubt, the WTM is the event at which to renew contacts and establish fresh ones," says Mr John Howard, managing director of Hertz UK.

"We have always found it essential and invaluable to have a presence at this annual trade event to endorse our support of the industry and to launch our new programmes for the coming year."

The Swedish National Tourist Office is another regular exhibitor. Ms Barbro Hunter, its director, says she was very impressed with the high numbers and high quality of visitors at the WTM. "Not only was a great deal of business done between exhibitors and visitors, but also between the exhibitors themselves," she adds.

Yet not all exhibitors at such events come away satisfied. Surveys have shown that exhibitors are concerned at the quality of those attending as their No 1 priority, followed closely by the quality of the venue itself.

Mr Peter Cotterell, managing director of Unibrand Training, also emphasises the problems caused by poor stand location at many exhibitions.

"More potential customers may visit an exhibition than the sales force is likely to see in the rest of the year," he says. "It makes good sense therefore to ensure that, consistent with budgetary and other constraints, the best site available is secured."

The problem is that exhibition halls – like restaurants – have both good and bad locations. It is important in an exhibition (although not in a restaurant) to have the maximum traffic flow around every stand. But since many exhibition halls have notorious "black spots", where few visitors pass by, it is important to visit an earlier show at the exhibition venue to observe the pathways that visitors tend to take.

Yet even such advance planning can come unstuck if visitor patterns change because of particular exhibitors. Just as being located next to Marks and Spencer in the high street is the property location policy for many other retailers, so it is important to be aware of where the stands of most interest are likely to be located.

Other hidden pitfalls, identified by Mr Cotterell, include being located too near the entrance to the exhibition. Organisers often want high-profile names to be situated near the front of the exhibition, to impress visitors with the quality of participants. But many people walk quickly into and out of an exhibition and often do not stop at the first or last stands they come to.

Once an approximate position for a stand has been decided on, Mr Cotterell advises checking on basics, such as overhead plumbing, the height of the ceilings, and trailing wires.

"In our experience the best shape may be the most elongated that the budget will stretch to," he suggests. "The greater the frontage of the stand, the longer it takes to walk past, giving the exhibitor more chance of catching the eye and interest of passers-by."

Conference organisers do not have an easy time of it, either. Trade research has also shown that choosing a venue is the single most difficult aspect of the job, although this may partly be due to the fact that most conferences are not actually organised by professionals but by people who take on the task in addition to their main corporate responsibilities.

Hotels are perhaps the first choice for many conference organisers, not only because of the conference facilities but also because they provide the catering and accommodation infrastructure.

What makes a good conference hotel is little different from that which marks out good hotels of any type. If it is a good hotel then conference organisers will want to go back and that reputation will spread.

The signs of a good hotel include close liaison between various departments, such as banqueting and room service. The organisers should not be expected to deal with demarcation disputes between departments and should ideally have only one hotel employee to deal with, specifically delegated to handle liaison matters.

A further sign of a good conference hotel is the provision of an office that can be used by the conference organisers – instead of a hotel bedroom – as well as flexible meal arrangements for the organisers.

As large conference halls within hotels often tend to be located close to kitchens, it is important that behind-the-scenes staff are told of the importance of keeping noise to a minimum. Many a conference speech has been ruined by the clatter from the kitchens.

Mr Peter Rand, senior partner of Peter Rand Conference Placements, suggests that the key to understanding how to obtain conference bargains is to recognise what is at stake for both parties.

"The hotelier is paranoid about perishability – the loss of revenue from a bedroom left unsold for a night," he says.

He also points out that conference organisers should do their homework before making an initial inquiry of a hotel. "Vague inquiries bring only vague responses," he says.

But at the end of the day how can you be sure of getting value for money? Some companies now carry out conference or exhibition audits – either carried out internally or by an outside specialist.

When the Prudential Corporation launched a new corporate identity last year, it held a major presentation in London attended by some 8,000 staff and followed by office presentations. It was important for the Pru to find out if its message had got across, so it employed a specialist conference organiser to carry out an audit of reactions.

Not surprisingly, the results were kept confidential.

David Churchill

Hotels

Keeping corporate customers happy

THROUGHOUT THE world, hotels are the lynch-pin of the conference and exhibition business. Not only do they provide the catering and accommodation for delegates, but they are also major venues in their own right for holding a business conference or exhibition.

Not surprisingly, therefore, hotels both large and small compete vigorously for conference and exhibition business, which accounts for a major slice of their revenues.

Mr Stewart Banner, Holiday Inn's marketing vice president for Europe, Africa, and the Middle East, agrees. "Hotels of every type and kind in the UK and throughout the world are becoming more aware that the conference business is a vital part of their market and competition in this area is fierce," he says.

What this means, therefore, is that hotels will go to great lengths to keep corporate customers happy. Holiday Inn's new Malta hotel, for example, has been transformed into a TV quiz game studio, a miniature Olympic stadium, and a military battlefield, all at the request of various conference organisers.

However, the internationally-acclaimed top hotels of the world do not necessarily have to go to such lengths. The Hong Kong-based Mandarin-Oriental Group, for example, is popular for top-level conferences. Last year the Mandarin Oriental in Hong Kong was voted best hotel in the world by readers of Business Traveller magazine, while its sister hotel, the Oriental in Bangkok, was voted top hotel by readers of Institutional Investor magazine.

A keen competitor with the Mandarin-Oriental hotels for the top end of the market is the Regent Hotel chain. In March, for example, the Pentax company is taking a group of 100 to stay at the Regent in Bangkok for an international conference.

"This venue was chosen as it meets all our requirements – it is luxurious, exotic and has an incredibly high standard of service," says Mr Gerry Dingley, managing director of Pentax.

As business travel has grown rapidly in the 1980s, so it has become increasingly clear to hotel groups that the conference and exhibitions business provides a very stable – and high-spending – market compared to the greater volatility of international tourism.

This is reflected in recent moves by UK companies to acquire leading international hotel chains. The Bass brewing group, for example, last autumn took over the Holiday Inn chain outside the US and Mexico, while Ladbroke snapped up the Hilton International hotels outside the US.

Thus, together with the Grand Metropolitan group, which owns Inter-Continental Hotels, three of the largest hotel chains in the world outside the US are now in UK hands.

"Conferences and incentives now account for over 7 per cent of our business worldwide and we expect that figure to increase to nearer 10 per cent by the end of the decade," says Mr Richard Hodgson, European marketing director for Inter-Continental.

Ladbroke also sees conferences and exhibitions as one of its key growth markets and has recently refurbished over 16 of its hotels to provide better meeting and conference facilities.

Mr Andrew Bould, Ladbroke's sales and marketing director,

'The client can plan his itinerary from behind our computer terminal'

believes that "the conference client of today expects a much more sophisticated environment in which to conduct a meeting."

He adds: "A modern, well-equipped meeting room reflects positively on the conference planner and his firm and is therefore a motivating influence on new employees who feel an investment is being made in their future."

One of the key trends in the use of hotels for conferences is choosing those that are most accessible. The Copthorne Hotel in Birmingham, which was recently sold by British Caledonian to Tara Hotels, benefits from its central location.

"Companies using our conference facilities come from all parts of the UK," says Mr Stephen Price, the hotel's manager. "Birmingham with its road, rail and air links has clearly much to offer as an international conference city."

Another factor important to conference organisers is a centralised booking facility. Audi VW, for example, two years ago decided to embark on a comprehensive customer-service programme for all its staff in the UK. Its approach was to run four two-day courses in regional centres throughout the UK and chose Trusthouse Forte's Meeting Point programme.

Meeting Point offers a computerised system which enables companies to check easily on the availability of any of the 1,000 meeting rooms spread over 200 hotels in the UK. "It makes it easy to buy through central reservations," explains Mr Chris Beaumont, the director.

"The client can plan his itinerary from behind our computer terminal and issue one set of instructions to bind in all the venues," he adds.

Thistle Hotels also operates a scheme called ConferencePlan which offers a central booking and advice service. The hotel chain claims that all inquiries are processed with 24 hours and, in most cases, it can give a verbal quotation for a conference within three hours.

While major hotels usually have the facilities for large conferences, it is the smaller meetings which are the current growing trend. "The market is growing at an enormous pace" says Mr Bould from Ladbroke Hotels.

The reasons include a greater emphasis on training, employee motivation and strategic planning, which require small meeting facilities away from the office and interruptions.

London's St James Court Hotel, a popular central London meeting place because of its Westminster location, has recently built four new conference rooms ranging in size from 600 to 1,000 sq ft. Its conference facilities – used recently by companies such as Short Brothers and Crown Eagle Communications as well as the Institute of Economic Affairs – include a health and fitness centre.

Luxury country houses are another popular choice for small meetings or conferences. The Craigendarroch Hotel and Country Club situated near Balmoral in Scotland is rated as a four-star luxury hotel, based in 29 acres of woodland. Shell Oil (UK) clearly finds this a tranqil setting, since it has used the hotel 12 times since it opened 2½ years ago.

Some 24 other luxury country house hotels used for small conferences are now marketed by the Pride of Britain organisation in an attempt to maximise conference revenue.

David Churchill

Incentive travel

Falling dollar brings far-off rewards

A MAJOR UK food manufacturer recently took a group of distributors and retailers – and their spouses – to Vienna for the weekend. Ostensibly, the purpose of the exercise was a Saturday morning conference, outlining the company's new products and plans.

In reality, however, the weekend conference was a thinly-disguised incentive trip for selected customers. But it illustrates clearly the relatively small dividing line between conference and incentive travel.

Many companies use the pretext of a sales conference in an exotic destination as a means of rewarding key personnel. Others are more straightforward and offer a trip as an incentive to employees who achieve certain targets.

The incentive travel market has grown rapidly in the 1980s – by 30 per cent a year, according to some observers – and is now estimated to be worth at least £250m. This is probably an underestimate since it does not include incentive rewards, such as package holidays bought direct from a tour operator.

The growth in the market was fuelled by the need to motivate staff, especially those engaged in selling as marketing departments were cut during the recession of the early 1980s.

New growth is coming from three main areas. First, from new entrants to the market such as banks and building societies which now operate in a more competitive environment.

Second, companies that were hardest hit during the recession are now in a much stronger position and are looking at new ways of motivating staff.

Third, more sophisticated employee motivation programmes which are more open to measurement have been developed. Travel as a motivator has been seen to be highly effective in such programmes.

Mr David Tonnison, marketing director of travel specialists The Travel Organisation, believes that "there is a noticeable trend towards making incentive travellers work harder."

He adds: "Working conference elements that, in the past, were legitimately introduced to avoid tax are now being included in incentive trips because there is a genuine determination to get the most business value out of them."

Short-haul destinations to Europe are still the favourite, accounting for about eight out of every 10 conference or incentive trips overseas.

But as more and more people become used to foreign travel, so it has increasingly become necessary for incentive organisers to find new and more interesting destinations.

"Companies already rewarding their staff with travel are looking for something that little bit different to give extra motivation," says Mr Colin Cooper, conference and incentives manager for Princess Voyages, a cruise subsidiary of P&O. "We are currently receiving four times as many inquiries for fly-cruise arrangements as at this time last year."

Hoover, the appliances company, sent an incentive group with Princess Voyages to the Mediterranean last year and this year is planning two further incentive trips to the Caribbean. "Sea Princess was truly a prize of a lifetime – it will be long remembered by all those who participated and will be very hard to beat," says the company.

Florida and the Caribbean are two of the most popular "new" incentive destinations. Florida especially has the attraction of Disney World while the Caribbean provides almost-guaranteed sunshine and a very relaxed lifestyle.

"Mainland US will now be significantly cheaper for conferences and incentives," points out Mr Tonnison.

"Companies should consider the cost benefits of selecting a destination whose currency is based or linked to the US dollar," he adds. "Such destinations can be obvious – such as Bermuda, Bahamas, or Barbados – or not so clear, such as Israel, Egypt, or Turkey where prices are often linked to the dollar."

Ford in the UK recently took important fleet customers to the Marriott Hotel in Cairo for a short conference. Cairo was chosen because it was an unusual venue and the Marriott because it had the best facilities for meetings and catering.

A conference and incentive destination expected to prove popular this year is Australia, which is celebrating its bicentenary. British Airways' new non-stop service between London and Sydney has reduced travelling time considerably and helped make Australia a viable conference and incentive destination.

"There has been a significant increase in convention travel to Australia from the UK," says Mr Graeme Haycraft, the London-based Tourism Australia manager. "In the first nine months of last year an estimated 10,000 people from the UK visited Australia to attend conferences and exhibitions, compared with just over 4,000 at the same stage of 1986."

This year Australia is hosting some 200 conventions, ranging from the World Geograpical Congress to the World Advertising Congress.

Mr David Battley, group sales executive at conference organiser Status Meetings, points out that while "conventions provide delegates with the initial purpose to travel to Australia, the 'add-ons' in terms of tours, visiting friends and relatives or meeting business contacts more than justify the expense."

He adds: "The lower ground costs in Australia make it competitive with other convention destinations such as Japan or South America."

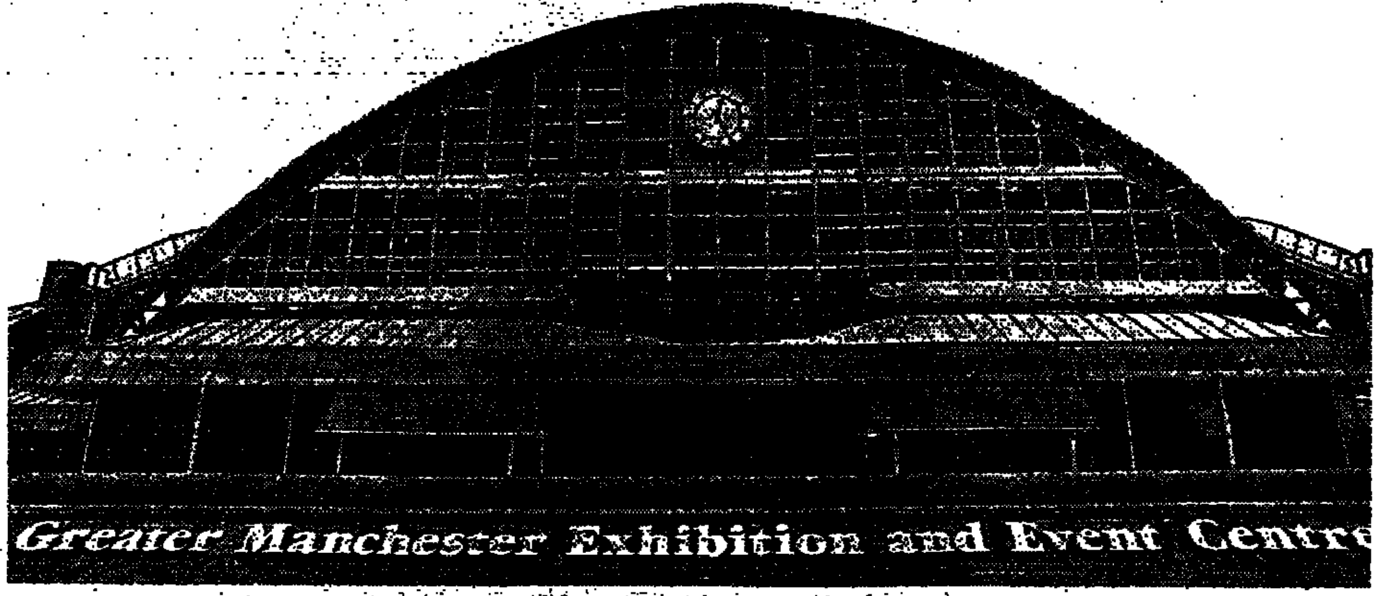
The growth in conference and incentive travel has, perhaps not surprisingly, led to some problems within the industry. New entrants have come in to meet the demand for travel services which has led to a reduction in profit margins and allegations of a lowering of standards.

The industry at present is split over whether incentive travel operators should hold an Air Travel Organiser's Licence (Atol), issued by the Civil Aviation Authority to companies organising air travel, as well as lodging a bond with the CAA.

The row broke out last year when three small incentive travel organisers went bankrupt without being in possession of such a bond, so that the companies that had booked incentive programmes lost money.

Although an Atol licence and bond is not necessarily a guarantee against loss – it covers only part of the costs incurred by incentive travel organisers – it illustrates that companies deciding to use incentive travel for the first time should scrutinise an operator's finances very carefully before agreeing on a programme.

David Churchill



Manchester's former Central Station has been successfully refurbished as an exhibition centre

Regional facilities are expanding. But so is demand

The more, the merrier

SO FAR, so good. The tremendous expansion of exhibition and conference facilities in the UK in recent years, not least in the regions, has tapped a growing market. The National Exhibition Centre (NEC) in Birmingham, which opened in 1976, showed what could be done. Then two years ago came the Scottish Exhibition Centre (SEC) in Glasgow, adding 19,000 sq metres, and in the spring of 1986, G-Mex in Manchester, with its 10,000 sq metres.

Now the NEC is absorbing another £40m investment from the City of Birmingham which will add three new halls in the next year. It is part of a plan which will eventually double the display space of the NEC to a projected 200,000 sq metres. By January next year the NEC will cover 125,000 sq metres, making it easily the biggest complex of its kind in the UK: Earls Court in London approaches 50,000 sq metres.

Market forces would suggest over-kill. In practice, this increased supply seems to have stimulated demand. The UK was starved of exhibition and conference facilities and as a result British industry made this marketing tool a low priority.

In Germany companies, on average, devote 25 per cent of their promotional budget to exhibitions. In the UK the figure is less than 10 per cent. But it is growing very rapidly: before the opening of the NEC it was nearer 3 per cent.

Companies are discovering just how useful exhibitions are as a sales and promotional technique, and there is an increasing desire to link them to conferences. And, as the success of business becomes dependent on the spread of information, so conferences, local, national, and international, are also booming.

In 1986 the Incorporated Society of British Advertisers estimates that British companies spent £258m on exhibitions. The NEC took 40 per cent of that. It has been a resounding success, returning to its backers, the City of Birmingham, a £3m profit in the past financial year, on a turnover of £28m. It held 80 exhibitions in 1987 and had customers on 340 days of the year. Increasingly, it is home to small specialised exhibitions, such as the Fore Court Marketing gathering, but its *raison d'etre* remains to ensure that the UK has the space to rival the continental exhibition centres at Dusseldorf and Milan.

This year should be a good one, thanks to the buoyancy of the British economy. Among the major exhibitions booked are the Motor Show, IPEX (for printers) and the major machine tool exhibition. And, at the start of 1989, the NEC shows its other face by hosting the European Figure Skating Championships, the first time the UK has organised them for 30 years.

Conferences are held at the NEC, especially the AGMs for British Telecom and British Gas, which must cater for their millions of shareholders although they know only a minimal number will turn up, but this is seen as a separate business.

Now Birmingham is hoping to repeat the success it has had with the NEC by building an International Convention Centre in the heart of the city which will open in the spring of 1991. The project is costing the city £121m, helped by an EC grant, and will cater for conferences attracting between 30 and 3,000 delegates. There will be 11 halls grouped around a Mall, with one offering 3,000 sq metres of exhibition space.

This is really a different, if allied, enterprise, and only one or two organisations a year will use both the NEC and the Convention Centre. But with the same management team running it as the NEC, it will offer a stiff challenge to existing conference facilities in the UK.

The SEC does not regard itself as a regional, or even a national centre: it sees its market as the world. Some justification for its ambitions was provided when a poll organised by the leading trade journal in the field voted it the best international exhibition centre. In its first two years it has achieved its capacity targets of 54 per cent in Year One and 47 per cent last year, chalking up such major events as the CBI national conference and exhibition, as well as the gatherings of the British Dental Association and the Royal College of Nursing.

Like the NEC, it has felt the need for improved conference facilities and a £20m hotel and conference complex is now rising on its 64-acre site. When the additions are completed in the spring of 1989 the SEC moves up from 30th to 11th position among the exhibition and conference venues of Europe.

Actively seeking new major exhibitions which can be held regularly in Glasgow, the SEC sees less scope in tempting away well-anchored events from the Continent or elsewhere. It is concentrating on the health industry, and in March is hosting two important conferences, one for buyers of medical goods, the other for cost controllers in the health field.

And it has regular national shows such as the Scottish Modern Homes Exhibition, with 250,000 visitors last year, and the Scottish Motor Show, with 170,000 admissions, to fall back on. In 1988 the SEC aims for a 68 per cent capacity and a profit, giving some return on the £60m investment in the venture by the banks and its local and regional government shareholders.

G-Mex, in Manchester, the major new regional competitor to the SEC, is a very different animal. It has a prime city centre site, but is housed in Victorian splendour on land which is being reclaimed from blight and now promises to become positively trendy. It resolutely turns its back on developing conference facilities, relying on the three new hotels which have sprung up close by in the last 18 months to supply those back-up needs.

With 10,000 sq metres of space, G-Mex has hosted over 60 exhibitions in 21 months and attracted 1.6m people. When not booked, in the off-months of midsummer and midwinter, it is in increasing demand as a sports and concert venue. G-Mex has all the usual events, such as the northern Ideal Home Exhibition, and traditional industrial shows like the Clothing Machinery Exhibition, but places great confidence on what its director, Mr Frank Winter, calls the "X" factor, the special feel of the place, to attract and to keep custom.

Other centres feed the growing market from the other end, from the strength of their conference facilities. This accounts for the continuing popularity of towns like Harrogate and Brighton as conference (and, to a lesser extent, exhibition) centres. The big jamborees attract all the attention but as business breaks down into smaller units and becomes more service-oriented there will always be a need for experienced suppliers of a more tailor-made, more urbane conference and exhibition environment.

Antony Thorncroft

London

First port of call for US trade visitors

IN LINE with other areas of media expenditure, total UK exhibition spending doubled from £202m in 1980 to £430m in 1986, according to figures from the Incorporated Society of British Advertisers. Public exhibitions account for £250m of the latter.

Together, Earls Court and Olympia took 40 per cent of the outlay. These two complexes currently handle around 80 exhibitions and 3m visitors annually. Both are owned by P & O, which has invested over £25m in the past five years on modernisation schemes including a second exhibition hall, Olympia 2, and a 450-seat £3.5m conference centre, opened in September last year.

This will be followed in autumn 1989 by the opening of a second 17,000 sq metre exhibition hall costing £59m at Earls Court. Combined with the present complex, it will offer 60,000 sq metres of floor space and parking for 1,000 cars. It will also bring 200 jobs to the area.

After steady growth, spending on public exhibitions increased dramatically by £60m between 1984 and 1986. This expansion is expected to increase further. Mr John Burt, head of London's Convention Bureau, believes that there will be more exhibitions coming to the UK, particularly from America, with London as the first port of call.

"Over the next few years, we expect to see a growing number of American trade visitors and shows coming here, to improve their sales abroad," he says. "As the American market is so large, until recently, only the major companies thought of exporting. Now trade associations are being set up to help the smaller companies sell their products here. They will be using London to enter Europe."

Before the Americans start arriving in significant numbers, London itself has become a Mecca for UK exhibition and conference work. Some 249 of the 639 UK exhibitions will be held there. Mr Burt estimates that between 100 and 200 conferences are held in the capital daily. "There could be as many as 20,000 in a year," he says.

According to figures published by the International Passenger Association, trade fairs and exhibitions accounted for spending of £53m in 1985, just 2 per cent of the visitor market, while total expenditure in the business market was £830m.

In 1986, terrorist activity and the Chernobyl disaster caused a shortfall in tourist spending. Of the 9.1m visitors business expenditure increased to £1bn, 29 per cent of overall spending.

While Earls Court and Olympia remain the giants of London's exhibition world, the building of its dual-purpose facilities has mirrored a major trend in the industry. Other arenas now handle activities beyond conferencing and exhibitions.

January 1988 marks the £35m resurrection of Alexandra Palace as a full-scale conference and 10,000 sq metre exhibition facility. This brings the total number of halls with over 3,000 sq metres of floor space to 11. It will also offer sport and entertainment facilities for the local community.

The giants – Olympia and Earls Court – are now being challenged by the Barbican, Alexandra Palace, Wembley and Docklands

Since the successful opening of the £153m Barbican Centre as a conference and exhibition site, showing how such a complex can tie in successfully with mainstream arts facilities, the growth of other community orientated centres has been assured.

The centre takes up to 3,500 delegates, with a variety of smaller committee rooms and cinemas. It has adjacent halls offering 8,000 sq metres of exhibition space.

In nearby Docklands developments similar to the Barbican will hope to attract lucrative City business. The London Arena, which is being built at a cost of £23m, is expected to open in 1989. This will be primarily an entertainments and sports complex for the community, but will have exhibition areas plus conference space for up to 12,000 in its tiered main hall. Another building scheme, the Londondome at Royal Dock, will provide a major exhibition hall.

In Islington, robust first year figures have been reported from the £10.5m Business Design Centre, which opened its glass doors in October 1986. The 28 exhibitions of that year attracted 120,000 visitors and 42 shows have been booked for 1988. This venue, unusually, offers permanent showrooms surrounding the exhibition floor and a four-room conference facility.

Companies holding conferences in London can spend up to £1m or beyond in efforts to impress their messages on their staff.

Multinational conferencing is attracted by London's £54m Queen Elizabeth Conference Centre, which was built to offer a high security building for government-level meetings. But UK business continues to be attracted to venues like the Wembley Conference Centre and Exhibition Halls.

Sales manager Jane Edey says that 500,000 people visited in 1986, and that figure is increasing annually. Since the £14m conference centre opened in 1977, it has improved facilities with an additional £5m exhibition hall last year and plans are afoot for at least two new 5,000 sq metre units during 1988-89.

The Convention Bureau spends £47,000 annually on promoting the capital to both UK and overseas exhibition and conference organisers. Mr Burt says the reasons for using London are simple. "Its airports serve 230 destinations, more than any other city in the world. The attractions for tourists also appeal to exhibition and conference visitors."

In addition to London's pageantry, museums, art galleries and theatres, the chance to see Windsor, Ascot, Bath or Stratford-on-Avon during days off attracts small and large conferences alike. When conference organisers find that multinational companies are prepared to spend £1m and beyond to host spectacular multi-media events in the capital, the reasons for the growth of dual-purpose facilities in London become apparent.

Joan Plachta
PR Week

Unusual venues

Where to hire the right atmosphere

BEING ABLE to brush shoulders with Her Majesty the Queen, swop stories with Mike Gatting or famine relief ideas with Bob Geldof is a measure of just how interesting a conference or exhibition venue can now be made for delegates.

The celebrities will not, unfortunately, respond as they are waxworks from Madame Tussaud's but this London tourist attraction epitomises the range of unusual venues now on offer to conference organisers.

The Birmingham Metropole Hotel, Gleneagles in Scotland and the Imperial Hotel, Torquay, repeatedly take the bouquets for the most efficiently and professionally-run conferences but there comes a point for those companies holding a launch or conference on a regular basis when cavernous hotel ballrooms and purpose-built "black box" venues like the NEC appear charmless.

Zoos, theatres, racecourses, museums, art galleries and stately homes are increasingly solving the problem. They can be relied upon for easy access, some have good leisure facilities if needed, high standards of food and professional staff who understand the precise requirements of a conference organiser.

Stately homes and country houses were the first on the bandwagon, quickly realising the potential source of revenue in such events. One of the shortcomings in staging anything in this type of venue, however, is that they can rarely seat more than 300 inside. But hiring a modular structure to be erected outside the premises can usually solve the space problem while still giving delegates the feel and atmosphere of the historic venue.

Brocket Hall, at Welwyn Garden City, is probably one of the most experienced stately homes in staging large conferences for around 500 delegates but Burton Constable Hall, an Elizabethan house built in 1570 in North Humberside, can seat as many as 750 in its Riding School, or as few as 120 in its entrance hall. Accommodation is catered for by a choice of five nearby hotels while the hall itself offers 200 acres of landscaped parkland, designed by Capability Brown, and a 25-acre lake for boating and fishing.

Peter De Savary's Littlecote House in Hungerford, Berkshire, has made the headlines for its unparalleled collection of Cromwellian armour and the only complete Cromwellian chapel in the world. It can take a reception or theatre-style conference for up to 300 but offers only five double bedrooms. Leisure facilities span an indoor swimming pool (private bookings only), parkland, gardens, a period village and rare breeds farm.

On a much smaller scale, north of the border is Drum Castle in Edinburgh. Built by Aberdeen's first provost, Richard Cementarius, in 1280, it boasts 400 acres of park, farmland and woods containing a section of the oldest part of the Caledonian forest on the east coast. Its dining rooms can take a banquet for 24.

For conferences of longer duration a wide range of leisure facilities is essential. Goodwood House near Chichester, West Sussex, offers tennis, swimming and golf, while Leeds Castle in Maidstone, Kent also caters for the more unusual pastimes of clay pigeon shooting, hot air ballooning, archery, mediaeval jousting and croquet.

Tapping Britain's heritage for an unusual conference venue is easy, as so many unspoilt properties are available for hire. In contrast, large purpose-built properties need not lack atmosphere.

A favourite with several organisers is Effingham Park, a motor museum at Copthorne, just 10 minutes from Gatwick Airport. It houses a unique collection of vintage and classic cars, and there is a nine-hole golf course. It can take a group as small as 20 school-room style (seated behind tables) or as many as 600 theatre-style in its Museum Suite.

Nightclubs can also serve as conference venues and London's Hippodrome in Leicester Square can cater for up to 1,500 people with state-of-the-art lighting and sound systems, including krypton and argon lasers, for the more hi-tech function.

Fulham Football Club hires out its Riverside Suite overlooking the Thames for up to 300 for a reception or 150 theatre-style (accommodation is at the nearby Novotel hotel) while a favourite of Spectrum Communications is the all-weather playing surface at Queens Park Rangers football ground, ideal for car launches, product promotions or in-company sports tournaments.

Even an old church is available for private functions in London. Now run as a private dining club, The Belfry (off London's Belgrave Square) dates back to 1830 and was originally a Scottish Presbyterian church. Its domed Belfry Room, complete with night sky mural, takes 50 for a banquet or 80 for a reception, while larger groups — up to 300 — can be accommodated in its ground floor restaurant.

If you want a moveable feast then perhaps the Bluebell Railway might fit the bill. Chugging its way between Sheffield Park and Horsted Keynes in Sussex, this steam railway can be chartered between 9am and 10pm any day except Christmas Day and has seating capacity for 300 people, room for 200 for a reception or 100 for a banquet.

Limehouse Studios, Britain's biggest independent TV production centre, may be hired only when the two studios are not in use. Surrounded on three sides by water in London's Docklands, this modern venue can take between 50 (school-room style) to 500 for a reception but its reception area, mezzanine level and sloop are also available for groups of between 50 and 200. Naturally, it boasts excellent technical facilities, but would need dressing up as the two studios are what are known as "black box" venues.

The cavernous dark vaults of the London Dungeon give a different meaning to the term. Dramatic lighting and eerie sound effects give this mediaeval dungeon exhibition the opportunity for up to 400 people to be scared witless.

And, last but not least, a venue for more innocent fun is the holiday village of Centerparcs in Sherwood Forest, near Nottingham. The Travel Organisation recently organised a 10th anniversary there over two days for a computer client and pronounced it a huge success. Ample accommodation — in villas — together with shops, water rapids and a wide range of sports facilities (a hotel is also planned) is spread over 450 acres, which gives plenty of scope for even the most unimaginative conference organiser.

The BTA publishes an annual guide to unusual venues, Meet in Britain's Interesting Venues, price £5 from its Business Travel Department, Thames Tower, Blacks Road, Hammersmith, London W6 9EL.

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Fulham Football Club	01-736 6561
Queens Park Rangers	01-743 0262
The Belfry	01-235 9625
The Bluebell Railway	082572 2370
Limehouse Studios	01-987 2090
The London Dungeon	01-403 0606
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Corporate structure

How APV rewrote its recipe

Christopher Lorenz examines how the UK-based food and drink machinery multinational has been able to integrate several takeovers around the world in a matter of months

WHEN A company changes its name twice in under a year, it has some explaining to do. When the "new" name is a return to the one-before-last, it usually signifies not just managerial vacillation, but real trouble in the boardroom.

APV, a leading multinational maker of processing machinery for the food and beverage industries, is an exception. Having retitled itself APV Baker last March after an agreed takeover of Baker Perkins, a fellow British-based process engineer of nearly equal size, it is now reverting to plain APV.

Foreshadowed quietly last September, the change was yesterday given an all-out public launch along with a spanking new visual image, a glossy corporate advertising campaign, and a major employee communications programme.

The birth of the "new APV" results not from a widely feared triumph of APV over Baker in the months since the takeover, but from the speed at which the new organisation has coalesced and changed shape since last spring, when it was less than half its current size. Sales are now running at an annual £850m, not far short of the group's main international rival, Swedish-based Alfa Laval.

The new APV identity also reflects the clarity with which the combined group has now recognised the need for a simpler, stronger corporate image to reinforce its new slogan of "world leaders in process technology". Every subsidiary will now carry the "APV" prefix as part of its title, as in the French-based "APV Pavailler".

Behind the new image lies a classic process of post-takeover integration, but carried out at an unusually cracking pace. Beyond all the usual sensitivities of who-gets-which-job and so forth has been the intricate question of how best to restructure the new group around the world in order to make it more cost-efficient and responsive to its customers.

Nine months ago there were over 200 constituent companies within APV, Baker Perkins and Pasilac, an innovative but much smaller Danish dairy equipment maker which was bought less than three months after Baker.

Now, after a hectic, Lego-like process of dismantling, reshuffling and reassembly, there are only nine prime manufacturing subsidiaries (including three with the prefix "APV Baker"), plus 10 secondary distribution units around the world. A programme of disposals, plant closures and all-round pruning - which continues - has already cut its labour force to about 14,000, some 1,500 below the comparative combined figure of a year ago.

The whole reshuffling exercise, which has involved more changes to the old APV companies than to Baker, has been a potentially fraught juggling act for Fred Smith, a self-confessed "bulldozer" of an Australian who had already shaken up APV in less than three years as chief executive before Baker and Pasilac joined the group last year.

The final shape of the new group was revealed to some executives only a month before Christmas. But, so far as the outsider can judge at such an early stage in the proceedings, Smith seems to be succeeding in what has become a doubly daunting trial of managerial skill.

First, he has won support for the reconstruction from many senior executives in all three former company camps, each of which could easily have been alienated by the speed and extremity of the changes. He has helped this process in several ways, including, as he puts it, "by purposely muddling-up" jobs across the old boundaries.

Second, in building a new structure to handle the group's diverse but related range of businesses around the world (less than a fifth of its sales are in the UK), he has avoided creating the sort of matrix-ridden bureaucracy that plagues many multinationals.

Most of the nine prime subsidiaries around the world will have global development, production and marketing responsibility for particular technologies, products, and industries. The majority of managers will not have to cope with the difficult ambiguity of reporting to two different bosses at the same time, one locally and the other at product headquarters.

This new pattern of widely distributed "centres of excellence" (or "lead companies"), with co-ordination conducted informally, especially at the local level, is a pragmatic mixture between a "pure" product line structure and one based on geography.

Neither of these tends to work any better than does a formalised matrix between the two, as Unilever, Philips and other leading multinationals have found to their cost (see this page, November 20 and 23 1987). The thinking behind the new structure is explained in the inset.

Smith is crystal clear about why he has moved so fast with the restructuring, instead of adopting the "softly, softly" approach favoured by many corporate acquirors. "I could have delayed, and done it over three years," he says. "But I wanted to get it out of the way and focus effort on the 'centre of excellence' approach to product development." He also wanted to put APV in a better organisational position to digest further acquisitions.

Such speed is also in his character. "Fred's a pretty fast mover - he's got a hell of an entrepreneurial flair that's new to us," says Mike Smith, who was Baker Perkins' chief executive until the takeover. Under the agreed deal, originally described as a merger, he was destined to become his namesake's official deputy. But sudden and unexpected problems at a Baker subsidiary prompted APV to cut the offer price, Baker's chairman to step aside, and Mike Smith to lose his title.

In spite of all this, the takeover remained friendly - which is one of the main reasons why Fred Smith was able to proceed with the integration so quickly. Mike Smith, as understated as his namesake is forthright (including about his top managers), admits "I did feel sore at the time, but only for a week - it was our own fault." He underlines the keenness of most Baker managers on the idea of a marriage with APV, which had been discussed on and off for years.

Though Mike Smith is still widely seen within the enlarged group as the number two, and to some extent operates as such, his official position is now equal to that of Don Hefner, who heads most of the group's US-based activities (a former Baker man himself, Hefner joined APV five years ago). Under the new structure Hefner and Mike Smith form an executive committee with Fred Smith, as well as controlling several prime operating subsidiaries. Mike Smith's territory includes much of what was Baker Perkins, as well as sizeable parts of the old APV.

A further factor behind the speed of re-organisation following the June acquisition of Pasilac is expressed by APV's chairman, Sir Ronald McIntosh. A wily industrial diplomatist with years of experience, he chaired the old company through five often difficult years, including the knife-edge defeat of a hostile bid in mid-1986. "Putting together three companies is quite different from two," he says. "If three entities come together, they realise that change is forced upon them."

Political problems were also eased by the natural strength of most major country-subsidiaries in one technology or another. Thus the UK-based Baker was the obvious world-wide "centre of excellence" for both dry food processing and printing (the latter is one of several strong operations which fall outside the group's core businesses).

Denmark's Pasilac was the natural lead company for the dairy business, APV's German unit for brewing, and Chicago-based Crepaco for ice cream. Despite these natural fits, some sensitive decisions have had to be taken about which overlapping designs of pumps, valves and other components should be dropped.

Significantly, most complaint about the allocation of management roles below the executive committee has come not from the Baker side but from APV people. Of Fred Smith's 13 senior operating managers, only five are ex-APV, and that includes a German company bought in 1986. Six are ex-Baker, one ex-Pasilac and one entirely new.

The ex-Baker finance director, originally destined for the same post with the new group, has just retired early, but that was entirely for family reasons. Of the five executive directors on APV's board, the finance director is new, two are ex-APV (Fred Smith and Hefner), and two are ex-Baker (Mike Smith and Charles McCaskie, the technical director who has a crucial role to play in the standardisation of technologies and products).

The other main reason for speed, Fred Smith says, was "to get on with global marketing - and that's urgent". Hence the new structure.

Though the ink is barely dry on the group's new organigrams, synergy is certainly starting to appear in the marketplace. When all APV's senior managers from around the world gathered in London just before Christmas to discuss plans for yesterday's launch, one of the informal talking points was the way the former APV sales networks in France and Brazil had just helped Baker land two contracts, for cake- and biscuit-making machines respectively.

John Gallagher, the (ex-Baker) head of the group's US-based chemical machinery business, was enthusing about his new-found ability to tender for turnkey plants in China, with the help of the 35 engineers APV has in Hong Kong. And Alf Duch Pedersen, who heads Pasilac, was recalling that in its old existence the Danish company "couldn't afford a worldwide sales and service network" for its dairy equipment.

Things are very different now, not only for Pasilac but throughout the new APV.

THE DRASTIC, and double-quick, agglomeration of more than 200 APV subsidiaries into just nine has raised all sorts of sensibilities, both internal (see main article) and external: in the old APV, for instance, several sets of small units competed with each other, claiming fierce customer loyalty. Now this sort of rivalry will be allowed only when continued competition would produce a clear loss of market share.

Fred Smith is adamant that the concentration is justified on many grounds. One motive is the provision of more attractive career paths for executives. Another is what he sees as a growing need, in an increasingly competitive world market: to reap economies of concentration and scale in development and production. His aim is to have the same products and components made in only two locations, one on each side of the Atlantic; alliances and joint ventures are also on his priority list.

But what really seems to fire Smith in conversation are marketing considerations. "We need businesses of over £100m in sales to impress our customers - even £80m isn't big enough to talk to Unilever," he emphasises, reeling off a list of other major international food and beverage manufacturers such as Nabisco, Campbell's Soup, and Anheuser-Busch (the St.Louis-based brewing giant), many of which have themselves been expanding fast via merger and acquisition. "They're most excited about what we're doing - they don't like dealing with small companies," he claims. Before the restructuring some of APV's units had revenues of under £3m. Now the smallest primary unit (Pavailler in France) chalks up more than £40m, and the largest £200m each (Baker Ltd in Britain and Crepaco in the US).

The group's new-found scale has already enabled it to start regular (and highly fruitful) long-term product planning meetings at very senior corporate level with Unilever, and similar arrangements are planned with Nabisco, Anheuser-Busch "and a dozen large companies around the world," says the Chicago-based Don Hefner. "Our new structure is very responsive to the questions those guys are asking - they want one contact instead of five," he says.

The doctrine of "bigger is better" is shared by APV's prime international rival, Sweden's Alfa-Laval, but not by all their specialist competitors in West Germany, the US and other countries around the world. Nor does every large customer prefer dealing with turnkey suppliers. But APV and Alfa are not the only suppliers to go for consolidation.

Rebutting the obvious suspicion that APV's dedication to scale will be at the expense of its relations with smaller customers, Hefner says sales and service to such companies will still be handled on a devolved basis: "We're centralising functions only where it's sensible to do so." But it remains to be seen whether the new-style APV can indeed get the best of both worlds, in two different senses: by combining its old strength in specialist technologies with the power of scale; and by continuing to satisfy large and small customers alike.

FRED SMITH

APV's new shape

Primary subsidiary	Location	Principal operation
APV Baker Ltd	UK	Wet & dry food
APV Baker PMC Ltd	UK	Printing
APV Chemical Machinery Inc	US	Chemical
APV Crepaco Inc	US	Ice-cream & wet food
APV Pasilac A/S	Denmark	Dairy
APV Pavailler SA	France	Baking
APV Rosista GmbH	W.Germany	Brewing
APV Baker Pty	Australia	Sales
APV Asia Ltd	Hong Kong	Sales

Television/Christopher Dunkley

'Sex'n'violence:' forewarned is forearmed

Just suppose that BBC1 and ITV both decided to top their Christmas day schedules with dramas in which the central incident was a robust bout of sexual intercourse, much enjoyed by all involved. What would be the reaction? The keepers of the nation's morals would have fits, switchboards would be "jammed" (whatever that means), newspaper leader columns would shriek, questions would be asked in the House, and apologies would be offered by the BBC and ITV.

No such reactions have occurred, of course, because the dramas in question, the Miss Marple programme on BBC1 and the Inspector Morse story on ITV, did not centre upon sex, merely upon bloody murder. What does this tell us about the real, as distinct from the pretended, attitudes of British broadcasters and the British public towards "sex'n'violence"? It seems that violent crime is not merely regarded by broadcasters as an acceptable subject for television entertainment, it is actually considered to be the ideal subject. Though we live in ever more fragmented social groupings, with growing numbers of television sets per household so that people are increasingly able to watch their individual choice of programmes, broadcasters reckon that Christmas is still a time of "family viewing," hence the flood of Disney and old musicals.

And yet the icing which they prepare with their own hands to put on top of this cake – the programmes created in-house to give a climax to the material bought in from Hollywood – turns out in each case to be a story of murder. And no doubt the ratings will show that their judgement was right and figures are higher than they would have been for the movies which used to fill this slot.

Despite the protests of an organised minority, most viewers seem to be happy to tolerate violence on television and a great many clearly enjoy it. Broadcasters know this and they also recognise that sexual embarrassment is one of the most powerful characteristics of the Anglo-Saxon temperament, so it would be ill advised to show much sex on television.

Thus we find ourselves locked into a system in which the Grundyists screech about "sex'n'violence" and the broadcasters publish lengthy lists of "guidelines" devoted to violence. Yet on screen we continue to see endless violent behaviour – knifings, shootings, stranglings, mental torture, physical torture, and, specially for children, Tom's mallet on Jerry's head. Meanwhile sex, so much concerned with the giving and receiving of pleasure, remains taboo.

Very little of this came out in the BBC's two-hour "report to the shareholders" *See For Yourself* or during the *Open Air* phone-in with the Chairman and Director-General of the BBC which followed. We watched BBC staff cutting some of the violence from an American crime show, we saw Will Wyatt fingering the latest set of guidelines, and – three cheers for the man! – Michael Checkland, the D-G, when asked what he intended to do about supposedly "offensive" scenes in series such as *The Singing Detective* and *Fortunes Of War* (which scenes in the latter?) declared that he favoured telling people beforehand what to expect.

Within that simple concept lies a seed which could become a tree, providing shelter, sustenance and support for broadcaster and viewer alike. Before that can happen, however, it will be necessary to start expunging 65 years of ingrained BBC attitudes and assumptions – the sort which were so clearly illustrated by *See For Yourself*.

As a glossy brochure to impress the shareholders this was outstanding: it showed that the BBC wins many prizes, works in numerous media, fulfils the needs of a multitude of foreign listeners as well as many viewers and listeners at home, and operates with great competitive success on a bewilderingly large number of fronts. To observe one and the same organisation running a string of symphony orchestras, selling "original" paintings of the Fallen Madonna With The Big Boobies (from *'Allo 'Allo*) at £75 a throw, topping the best-selling books list 41 times, and winning the Prix Italia for television drama, is indeed impressive. *Above all*, this programme showed what a splendid organisation the BBC believes itself to be.

But for that very reason it was worse than useless as an exercise in *glasnost*. Had an independent company with a tough investigative reporter been given the *See For Yourself* budget and carte blanche to film Corporation activities and question BBC staff, then a milestone might have been erected on the road to access and accountability in public service broadcasting. As it was, belief in the arrogance of the BBC will have been reinforced. For the Corporation merely to touch on its bungling of the election forecast, the row about the news and current affairs revolution, the stand-off with the Government over security matters, and then to pass on quickly to more halo polishing, was to invite accusations of whitewash and complacency.

The decision to open up and "go public" is admirable, but it is incongruous to attempt on the same evening, virtually simultaneously, to march about in your brightest colours banging the publicity drum, and to go into the witness box to offer yourself for public cross examination. If the BBC people are determined to convert their annual handbook (which, at £8.00 a copy, was presumably self-financing if *not profit-making*) into an expensive two-hour promotion film, then they might be best advised in future to organise a separate exercise in openness, accountability, and dialogue with the public.

And if change for the modern age is really his objective, as I believe it is, then the Director-General could begin that second programme with a declaration such as this:

"In the past the BBC has been known for its paternalism. It has pretended to be in a position to decide for viewers what was suitable for them to see at different times in their homes. Years ago we declared a 'Toddlers' Truce,' closing our transmitters early in the evening so that parents could get their children to bed without the temptation of the screen to cause arguments. Our more recent 'watershed' system with broadcasters deciding which programmes were suitable for 'family viewing' was guided by a similar philosophy.

"Since most homes in this country contain no children, that was always a doubtful policy, and it gave rise to a widespread and deeply unhealthy belief that broadcasters could, and should, be responsible for the viewing habits in your home. With VCRs now installed in more than half of British households, children more adept than adults at time-shifting, cable spreading slowly, and direct broadcasting by satellite approaching fast (and none of these systems concerned with paternalism) the time has come for the BBC to adopt a more Thatcherite stance.

"Mrs Thatcher has taught us that the boundaries of the state should be rolled back, and that we must learn to stand on our own feet, make our own choices within our own lives, and take responsibility for our own families. Henceforth that will be the attitude of the BBC. Some will say that occasional programmes could have a dangerous effect upon the young or the over-impressionable. *Perhaps that is so*, but from now on broadcasting should be treated like brandy, bleach, and breadknives.

"All those items can be not merely dangerous but fatal if a four-year-old is left alone with them, but we do not ban their sale because we value their countervailing benefits too highly. Parents are responsible for keeping such useful or pleasant things away from children until they are old enough to deal with them. So too with broadcasting.

"*I am sorry you have been* encouraged to grow up believing that most television should be anodyne and suitable for four-year-olds: it should not. From now on, our policy will be to provide a balanced output of programmes which in large part will be adult in its approach to all matters – social, political, sexual, religious, dramatic, cinematic, whatever.

"Our watchword will be 'Forewarned.' We will take all steps possible via the screen, teletext, the newspapers, Radio Times, poster advertising, and perhaps even Channel 4's red triangle method to ensure that viewers have every opportunity of knowing what sort of material they can expect before they start. It is time broadcasters and viewers grew up."

Strangled? Charles Gray and Robert Powell in "Hannay," the first of a new series of adventures for John Buchan's hero starting tonight on ITV

Love Off the Shelf/Nuffield, Southampton

Martin Hoyle

Three girls vaguely Charleston to the opening number; they are joined by men in three-piece suits, their good taste underlined by their copies of the FT. They sing about love in well-bred tones, and the spirit of the little revue, and the even littler musical, pervades the Nuffield, Southampton. The Fifties are come again.

The author of this New Zealand-originated musical is Roger Hall whose *Middle Age Spread* and *Roll On Friday* have had some success in Britain. Two of his characteristically wistful loners dominate the stage: John, scruffy and unshaven, works on a biography of a pre-Pre-Raphaelite but dreams of fame, riches and women in their underclothes; his researcher, Mary, aspires to be a poet in a cottage by the sea, preferably shared with a dashing poet. She regards her employer distastefully; he in turn calls her the "dullest little woman in the universe." Though neither would be seen dead reading one, each decides to write a "true love romance," and the heart-shaped projected centre-stage of Sarah-Jane McClelland's set unfolds their separate effusions.

Mary creates the story of Clare, heiress to a Caribbean hotel, torn between sultry Jose and suave Hamilton. After a flirtation with romance on skis, John opts for a convent-bred maiden falling for a famous writer – "with animal magnetism," he longingly adds.

The aspirant novelists re-run the less satisfactory episodes; the characters object, give advice, try and take over. A.K. Grant's lyrics and the music of Philip Norman (not the British journalist) strike a cheery, unexceptionable note that echoes the Eights Week undergraduate tone perfectly. The idiom just touches the early Sixties (ah, those triplet wa-wa-wa accompaniments to ballads!) and is brightly put over, so unpretentious that to complain of its faintly antique quality would be churlish.

The piece is too long and fizzles out with a series of facetious jokes in a predictable – and not even logical – cheat of an ending with multiple weddings for the novelists and their creations.

The writing shows a nice touch with sent-up cliche: "Without your glasses you're . . . lovely," gasps John as his mousey researcher blossoms. "Without my glasses you're handsome," she replies a trifle tartly. Barry James hints that he could give great deal more to the part of fantasising John than the part requires. Two of the supporting fictional characters upstage the protagonists with every sign that if there were such a thing as a native British (as opposed to mid-Atlantic) musical they would be stars: James Coombes, remembered for the biblical musical *Swan Esther* some years ago is a dashing, handsome, dancing juve lead who is far too little used in the theatre; and Karen Davies vamps stylishly with the voice of a budding Merman as the perpetual other woman. Justin Greene directs, Ian Smith leads the three-piece band and Pat Garrett's choreography perfectly captures the period when dancers swaggered on with one eyebrow raised quizzically at the audience.

James Coombes and Sarah Maur-Thorp

A year of mini music festivals

The London orchestras have been selling not only season-bookings, such as orchestras in other places have relied upon these many years, but also a splash of "festivals." Those may amount to as little as a mini-series of programmes loosely related by period or just by performer (like the London's Symphony's Rostropovich birthday series), or as much as the South Bank's Birtwistle festival, which offered not only a grand conspectus of the composer's work but other music chosen by him and even prescribed by him, and a healthy sprinkling of other new pieces.

What's common to nearly all the quasi – or sort-of – "festivals" is that they can afford to make room for some unfamiliar or otherwise risky music that might not be considered for one-off concerts. There's everything to be said for that – and I thought Rozhdestvensky's jolly Stravinsky festival with the LSO lost as much by not adventuring very far as it did by the conductor's over-relaxed attitude to orchestral preparation. The "Stravinsky-Plus" side-dishes were more adventurous, but relegated to unpopular times and under-sold.

The Birtwistle festival included marvellously taut realisations by a National Theatre team of two of his music-theatre pieces, *Bow Down* and *Down by the Greenwood Side*, which were shining examples of the music-theatre that the new South Bank regime wants to encourage. The London Sinfonietta displayed its incomparable virtuoso loyalty (notably with Diego Masson conducting) in Birtwistle's biggest chamber-orchestra works, and among the side-dishes it was especially satisfying to find Michael Torke's exuberant super-pop *Vanada*, and a brave sketch of Stefan Wolpe's formidable Enactments for Three Pianos.

Luck of the draw meant that the most impressive Rostropovich I heard wasn't cello-playing, but conducting: his Chaikovsky Fifth, deeply felt, and the wild Fourth Symphony that Prokofiev salvaged from his *opera manqué*, *The Fiery Angel*. Though Rozhdestvensky's Stravinsky included nothing so excitingly well played as Simon Rattle's *Rite of Spring* with the City of Birmingham Symphony last month, he and his wife Victoria Postnikova gave an authentically sensational account of Prokofiev's First Piano Concerto.

Other senior conductors performed nobly: Barshai in a pungently Russian Shostakovich Fifth with the Bournemouth Symphony, Sanderling majestic in Bruckner, Pritchard and the same orchestra in best form not only for Schubert and Sibelius but for Szymanowski's *Harnasie* and Skryabin's *Poem of Ecstasy*, and partnering Heinrich Schiff (*Don Quixote*) and Peter Serkin (the Brahms Second Concerto). Most memorable was the brilliantly saturnine Mahler Ninth delivered by Skrowaczewski and his Hallé Orchestra.

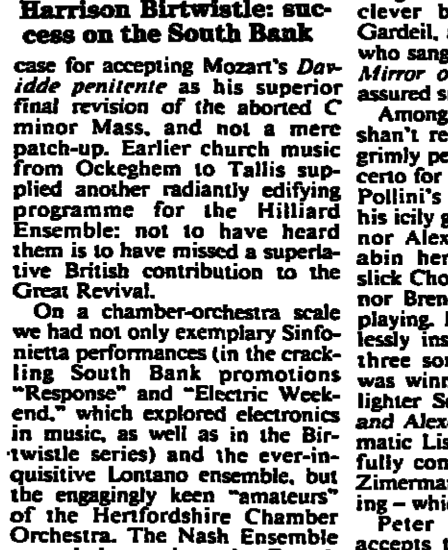
Mahler had a good year, with Zagrosek and the BBC lavishing acute imaginative anxiety upon the Sixth, the Young Musicians' Symphony under James Blair staging an heroic assault on the Eighth, and Tilson Thomas making a sterling mark with the LSO in the Third. *His* LSO "festival" contained a lot of good Gershwin, and also – with Michel Beroff – the most stylish and vital Ravel Concerto for the Left Hand heard here in years. Esa-Pekka Salonen and the Philharmonia offered comparably sympathetic Ligeti in each of their concerts together, and with Mitsuko Uchida an expressively elegant Schoenberg Piano Concerto to challenge the searching Brendel/BBC account earlier in the year.

Violinists came up strongly at the Proms: Dmitri Sitkovetsky lyrically refined in the Chaikovsky Concerto, and Pierre Amoyal in the Berg, and young Xue Wei in the Sibelius. The pianist Kristin Merscher proved in Mozart with the London Camerata that she is maturing in delectable style.

The Montreal Symphony and Charles Dutoit visited in order to remind us how beautiful a perfectly regulated French ensemble can sound. Alexander Goehr's Symphony with Chaconne, a well-armed conservative challenge to trendy liberal orthodoxy, found doughty champions in Edward Downes and the BBC Philharmonic. Practically everybody played Ravel's *Daphnis*: Rozhdestvensky and the LSO lustily, Previn and the RPO in tender half-lights, Andrew Davis and the BBC with springing ballet rhythms. Young Franz Welser-Moest's Brahms Requiem with the LPO confirmed the thoroughly musical impression he has already made here: we must have him regularly.

The Orchestra of the Age of Enlightenment continued to make forcible interventions into our hearing of Classical and early-Romantic music. Thanks to their irresistibly lively persuasion, with Roger Norrington pre-eminent among their chosen conductors (and among their soloists Elizabeth Connell's electrifying soprano), the standard "modern" delivery of Haydn, Mozart, Weber and even Beethoven seems less and less credible.

The Academy of St. Martin-in-the-Fields, more gingerly about adopting historical manners, made nonetheless a revelatory case for accepting Mozart's *Davidde penitente* as his superior final revision of the aborted C minor Mass, and not a mere patch-up. Earlier church music from Ockeghem to Tallis supplied another radiantly edifying programme for the Hilliard Ensemble: not to have heard them is to have missed a superlative British contribution to the Great Revival.



Harrison Birtwistle: success on the South Bank

On a chamber-orchestra scale we had not only exemplary Sinfonietta performances (in the crackling South Bank promotions "Response" and "Electric Weekend," which explored electronics in music, as well as in the Birtwistle series) and the ever-inquisitive Lontano ensemble, but the engagingly keen "amateurs" of the Hertfordshire Chamber Orchestra. The Nash Ensemble moved deeper into the French repertoire, scoring regular successes.

The Almeida Festival called up another procession of specialist performers and *ad hoc* ensembles to do justice to a far-sighted, impossibly dense programme: one mere part of it was a gripping retrospective of *Wolfgang Rihm's* chamber music, mostly by Yvar Mikhashoff and the Arditti Quartet, to complement the memorable Pierre Audi/Richard Bernas realisation of his Expressionist opera *Lenz*. The Arditti gave not only the British premiere of Elliott Carter's rich, reflective Fourth Quartet, but – at the Edinburgh Festival – the first performance of Sofia Gubaidulina's Third: bated-breath micro-music, not so magically direct as her Second (premiered at the Kuhmo Festival by the Sibelius Quartet), *but with the nerve-end* originality that makes every new Gubaidulina work an intimate discovery.

The clarinettist Gervase de Peyer gave several happy and rewarding recitals. The Capricorn ensemble was expertly enterprising with fringe Soviet music, and London New Music unveiled Matteo Fargion's neat, wittily measured "Amnesia." Among recently-formed quartets, the Sine Nomine (Swiss) and the (British) Apollo struck me as eminently worth following. The once-admired Cleveland Quartet sounded dismayingly like a burnt-out case: the much newer, flashy Kronos virtually sabotaged its own pretensions at Salzburg with a dud substitute-programme.

The devotedly avant-garde "Time of Music" Festival at Viitasaari offered the Californian Roger Reynolds a generous show-case, and I thought his *Transfigured Wind III* remarkably moving. Rautavaara's old Quartet no. 2 at Kuhmo, imposingly argued, convinced me that his more recent music must contain more than I've so far detected.

But near-Arctic Finnish Kuhmo in July was as usual full of discoveries: it left me impatient to hear much more of the cellist Sophie Rolland, the Soviet or ex-Soviet players Aleksandr Rudin (extravagantly gifted on piano *and* cello), Mihail Munjan (the best Russian accompanist I've heard), Yury Bashmet (viola), Vladimir Skanavi and Konstantin Bogino (*both* piano, one severely intense and the other a spontaneous comic), and the superbly fluent, musical Frenchmen Patrick Gallois (flute) and Michel Tethiec (clarinet). Grant Johannesen was plainly authoritative in Fauré's piano-parts, while young Anna-Maija Korsimaa wielded her clarinet with unaffected eloquence.

There were inspiring *Lieder* recitals by seasoned artists: Margaret Price, Jorma Hynninen (with Ralf Gothoni at Wexford), Fischer-Dieskau, Arleen Auger and Tom Krause. At the Hohenems Festival, Francisco Araiza seemed sadly out of his depth in Schubert, but Brigitte Fassbaender (finely partnered by Markus Hinterhaeuser) unfolded *Winterreise* with uncanny power. Two newcomers of intriguing promise, respectively in French *mélodies* and in challenging contemporary song: the audacious, cabaret-clever baritone Jean-Francois Gardeil, and young Julie Moffat, who sang Carter's elusive cycle *A Mirror on which to Dwell* with assured silvery grace.

Among pianistic exhibitions, I shan't remember Michelangeli's grimly perfected "Emperor" Concerto for much longer, nor any of Pollini's solo Beethoven except his icily gripping "Appassionata," nor Alexeev's overblown Skryabin here or his disaffectedly slick Chopin Preludes at Kuhmo, nor Brendel's crankier Schubert-playing. But Brendel was as selflessly inspired in Schubert's last three sonatas as Andras Schiff was winningly mock-innocent in lighter Schubert (at Hohenems), *and Alexeev's magnificently* dramatic Liszt B minor Sonata was fully competitive with Kristian Zimerman's acutely subtle reading – which is very high praise.

Peter Donohoe probably accepts too many engagements these days, but he carried everything triumphantly before him in Stravinsky's fiendish *Petrushka* transcriptions and Rakhmaninov's opulent op. 32 Preludes. In the PLG's invaluable midwinter showcase for new performers, the pianist Nigel Hutchinson boasted real *eclat* across a wide-ranging programme; and for "Stravinsky-Plus" Stephanie Gonley, a still younger violinist, mastered Weill's Concerto with wind and percussion at an astounding one day's notice.

Altogether, then, a year with many critical rewards and surprises – including honest, immediate pleasures. I regret that our new hi-tech FT so far can't manage foreign accent-signs as low-tech used to do; with luck and still higher tech, we should soon be able once more to transcribe composers' and performers' names correctly.

David Murray

Arts Guide

January 1-7

Theatre

LONDON

The Rover (*Mermaid*). Jeremy Irons roisters into town in the RSC's Swan production by John Barton of Aphra Behn's rollicking comedy. It plays in repertoire with the Chernobyl play, **Sarcophagus**, an urgent but clumsily crafted hospital drama. (236 5568/638 8891).

A Man For All Seasons (Savoy). Charlton Heston begs no favourable comparison with Paul Scofield as Sir Thomas More in a leaden production of a play best left to amateurs and schoolchildren. (836 8888).

Antony and Cleopatra (*Olivier*). Peter Hall's best production for the National Theatre he leaves in 1988 brings this great but notoriously difficult play to thrilling life. Judi Dench and Anthony Hopkins are battle-scarred lovers on the brink of old age. (928 2252).

The Phantom of the Opera (Her Majesty's). Spectacular emotionally nourishing new musical by Andrew Lloyd Webber emphasising the romance in Leroux's 1911 novel. Happens in a wonderful Paris Opera ambience designed by Maria Bjornson. (839 2244, CC379 6131/240 7200).

The Balcony (Barbican). Sadly dated and heavy-handed opening to the RSC's Genet retrospective, not helping to fight suspicions that the RSC, certainly in London, is stretched way beyond its creative capacities. Terry Hands directs, Farrah's set looks like a cheap pink brothel and the actors, a dull lot, clump around on high boots in big bulging costumes. (628 8795).

Follies (Shaftesbury). Stunning revival, directed by Mike Ockrent and designed by Maria Bjornson, of Sondheim's 1971 musical in which poisoned marriages nearly undermine an old burlesque reunion in a doomed theatre. Cast led by Dolores Gray, Julia McKenzie, Diana Rigg, Daniel Massey. All good. (379 5399).

Melon (Haymarket). Alan Bates predictably good in new Simon Gray, clumsily directed by Christopher Morahan, about a jealous publisher viewed in flashback from a psychiatric ward after a breakdown. Menopausal mutterings; not vintage Gray (930 9832).

Serious Money (Wyndham's). Transfer from Royal Court of Caryl Churchill's slick City comedy for champagne-swilling yuppies: how the Big Bang led to class tumult and barrow-boy dealings on the Stock Exchange. Hot and livid, but new cast deemed less good. (836 3028, CC 379 6565).

A Small Family Business (Olivier). Brilliant new Alan Ayckbourn play about Britain on the fiddle in greedy times, selling out to foreigners and keeping it simultaneously in the family. A comedy thriller on the large scale. (928 2252).

NEW YORK

Fences (46th Street). August Wilson *hit a home-run, this year's Pulitzer Prize*, with James Earle Jones taking the powerful lead role of an old baseball player raising a family in an industrial city in the 1950s, trying to improve their lot but dogged by his own failings. (221-1211).

Cats (Winter Garden). Still a sellout, Trevor Nunn's production of T.S. Eliot's children's poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and over-blown idea of theatricality. (239 6262).

42nd Street (Majestic). An immodest celebration of the heyday of Broadway in the 1930s incorporates gems from the original film, like *Shuffle Off To Buffalo, with the appropriately* brash and leggy hoofing by a large chorus line. (977 9020).

A Chorus Line (Shubert). The longest-running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are auditions rather than emotions. (239 6200).

La Cage aux Folles (Palace). With some tuneful Jerry Herman songs, Harvey Fierstein's adaptation of the French film manages barely to capture the feel of the sweet and hilarious original between high-kicking and gaudy chorus numbers. (757 2626).

I'm Not Rappaport (Booth). The Tony's best play of 1986 won on the strength of its work-of-mouth popularity for the two oldsters on Central Park benches who bicker uproariously about life past, present and future, with a funny plot to match. (239 6200).

Les Miserables (Broadway). Led by Colm Wilkinson repeating his West End role as Jean Valjean, the magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama, if not strict adherence to its original *source*. (239 6200).

Starlight Express (Gershwin). Those who saw the original at the Victoria in London will barely recognise its American incarnation: the skaters do not have to go round the whole theatre but do get good exercise in the spruced-up stage with new bridges and American scenery to distract from the hackneyed pop music and trumped-up silly plot. (586 6510).

Me and My Girl (Marquis). Even if the plot turns on ironic mimicry of Pygmalion, this is no classic, with forgettable songs and dated leadenness in a stage full of characters. But it has proved to be a durable Broadway hit with its marvellous *lead role for an engaging and deft* actor preferably British. (947 0033).

WASHINGTON

Light up the Sky (Arena). The revival of the Moss Hart comedy features theatre people waiting for the opening-night notices of their latest masterpiece. (488 3300)

TOKYO

Noh (National Noh Theatre). Old Pine (noh), Rice Planting (kyogen). Originating in sacred rituals, noh is a predominantly tragic drama of illusion played on an empty stage. Lighter relief is provided by the comic interlude (kyogen). The National Noh Theatre is a beautiful, relatively new building in a mixture of traditional and modern styles. Useful booklets in English on both noh and kyogen can be bought at the theatre's bookstall. Most other noh theatres in Tokyo give performances once a month, usually at weekends (check local press for details). Sendagaya (423 1331) (Wed).

Kabuki (Kabuki-za). Tokyo's main kabuki theatre is celebrating its *centenary with a year-long festival* featuring both perennial favourites and new works. The morning programme this month includes Kanchinjo, the famous play in which the wily servant, Benkei, outwits his master's pursuers. The plays are exclusive property of the Ichikawa family, whose kabuki lineage dates back 250 years, and star the current head of the family Danjuro XI. Excellent earphone commentary in English. (541 3131). Ends Jan 27.

The Nutcracker/Festival Hall

Clement Crisp

Once upon a time there was a ballet called *The Nutcracker* which was derided for its lack of narrative. Uncomplicated to a point near cretinism, it offered a Christmas party, children, a magical tree, mice and snowflakes and one glorious pas de deux at the heart of a melee of sweetmeats. Festival Ballet presented it regularly, year after year, and if Markova, or some other great ballerina, were seen in it, then bliss was ours. We accepted the fact that there was not much of a story to tell, but that an unsophisticated domestic charm, and the marvels of the score, were to beguile us, young and old, for the span of an evening.

Well, *autres temps, autres Nutcrackers*. Now, meaning is all. Narrative's the thing, and if every least corner of the stage is not filled with motivation, then it is not *The Nutcracker*. As a dissenting voice, let me observe that for one long memory, the present Festival staging, which I saw again on Monday night, has so little to do with the dear old ballet as to justify calling it something else. *Unhappy Families* might fit, if you can make sense of the addled libretto provided by Peter Schaufuss to explain his production's identification of each character on stage with someone from Chaikovsky's circle of acquaintance.

The sad thing, as I had occasion to report when this version was first seen last Christmas, is that the stage action is nowhere clear. Interpolated scenes mimed by child performers (Oh, for a Herod!); the inexplicable and uneasy mumming of various – when in doubt, kiss someone's hand; the tangle of cross-references to Chaikovsky, Drosselmeyer and the composer's family, serve only to burden the viewer and cloud the score, which is further sabotaged by additions. The sum effect is of confusion in which theatrical values, a not inexact original balance between mime and movement, are lost. And it is inexcusable to provide so dismal a transformation of the Christmas tree.

Simplicity and clarity are gone. And so, I would venture, is that gentle enchantment that once made *The Nutcracker* a delight. Yet I have, in all fairness, to record that Festival Ballet can boast that never before has box-office business been so good on a tour than with this staging in the six weeks leading up to Christmas. I suppose there is a moral there, somewhere.

The dancing on Monday night was efficient, apart from the appearance of two male dancers pretending to be children and giving a brand new meaning to the words "Old Boys." The orchestral playing in the first act was deplorably heartless and sometimes frayed. I derived greatest pleasure from the interpretation of Trinidad Sevillano as the young heroine, her sweetness of manner never cloying, and a spring and warmth to her movement that deserved a better setting.

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Financing the predators

THE SPEED with which the big commercial banks have reverted to pumping money into speculative takeover activity in the wake of the stock market crash has been little short of startling, especially so in cases such as the current bid for Britain's third largest grocer, Dee Corporation. Here a group of banks led by Citicorp is financing a corporate minnow, Barker and Dobson, in an aggressive takeover worth several times the bidder's own market capitalisation.

The deal would probably have raised an eyebrow or two even at the height of the takeover boom. Yet it would be a pity if the Office of Fair Trading were to respond to Dee's complaints about the bidder's financing arrangements by recommending a reference to the Monopolies Commission, as happened in the earlier case of Elders IXL's highly leveraged bid for Allied-Lyons. That is not to say that today's bid battle is a carbon copy of the Elders-Allied affair, raising no new points to exercise the mind of the Director General of Fair Trading. When Elders made its bid for Allied Lyons, it was the second largest company in Australia and its financing arrangements were both complex and secret.

Competition policy

In contrast Barker and Dobson is a very small enterprise through which the banks have chosen to back an ambitious former managing director of the stores division of the Asda supermarket chain. For its part, Dee is rather less of a pillar of the commercial establishment than Allied-Lyons and its chairman and chief executive, Mr Alec Monk, is no stranger to acquisitive takeover activity. In this case the issue of foreign control is not a complicating factor.

The question is whether such differences really justify removing decisions about the commercial future of these companies from the people who finance and own the businesses themselves. Given that basic issues of competition policy seem no more worrying in the present case than they were in the Elders bid for Allied and that the Monopolies Commission has already discussed the wider implications of highly geared takeovers, the case for leaving the job to the market looks powerful. And it is worth noting that Dee Corporation itself argued to the Monopolies Commission over the bid for Allied, of which it was a major customer, that "mega-bids" were "healthy in principle, as very large companies had previously been thought of as 'secure' and frequently their boards had not performed well."

Indeed, it could be argued that one of the advantages of the internationalisation of the banking market is precisely that foreign bankers tend to take a more robust view of sleeping industrial and commercial giants because they are not part of the domestic establishment. By financing giant bids that would not have been contemplated a decade ago, they act as a spur to efficiency in a part of the corporate sector that accounts for a disproportionate chunk of GNP.

Effective control

None of this, however, should be taken to imply that these highly-geared bids are not a cause of concern. In financing offers that are dependent on the rapid sale of assets to repay the initial loans, the bankers are taking substantial risks — risks which are more akin to equity-type financing than to orthodox banking behaviour. If the activity multiplies, there is a possibility that the corporate sector's investment in plant and machinery could be constrained and that the replacement of equity by debt could lead to a financially dangerous situation.

The Monopolies Commission Report on Elders-Allied urged the Bank of England and the Stock Exchange to consider whether the emergence of highly leveraged bids called for new powers of control; and if so, whether effective control could be exercised by reference to levels of capital gearing and interest cover. The request has so far not been taken up, although it would be surprising if the Department of Trade's current review of competition policy did not make some reference to the problem.

On balance the issue is probably best addressed by banking supervision rather than competition watchdogs. Imposing borrowing controls on the banker's clients is a cumbersome response, which puts the regulatory cart before the horse.

Alfonsin and the military

FOUR years after the discredited Argentine junta ceded power to civilians, the military still has an uncomfortably large amount of power to blackmail the government of President Raul Alfonsin. Unfortunately, sections of the armed forces seem more than willing to use this power for their own selfish ends.

This has been all too apparent in the recent concessions made by President Alfonsin. Very much against his will and amidst considerable dismay within Argentina, he has released from detention the leader of last year's "Easter Rebellion" and he has been obliged to promote Alfredo Astiz, one of the naval officers most openly associated with human rights abuses during the "Dirty War" conducted by the junta against the Argentine Left in the late 1970s.

Serious challenge

Last Easter President Alfonsin's authority was seriously challenged by a rebellion among junior and middle ranking officers, who mutinied in protest over the way they were being made to appear before the courts on charges of human rights abuses committed under military rule.The officers ignored the orders of their superiors and the uprising only ended when President Alfonsin went in person to deal with the rebels and agreed to curtail the scope and nature of the trials.

By giving in again when faced with threats for the release of the rebellion's ringleader and for the promotion of Astiz, it is easy to blame President Alfonsin for weakness. One concession has led to another, and there could be more to come, leaving the government more in hock to the hardliners in the armed forces.

President Alfonsin does not deserve such blame. He has been the architect behind the restoration of democracy in Argentina and has proved a model of fairness in attempting to heal the wounds caused by years of military rule. He has avoided any vindictiveness and has done his best to uphold the rule of law, which has had an exemplary effect throughout Latin America.

Spanish example

Friction between the civilian and the military was inevitable from the start, given the armed forces' unrepentant view that they had saved the motherland from communism as a result of the "Dirty War". Indeed, rather than focus on the limited occasions when sectors of the armed forces have flexed their muscles to voice discontent, it is perhaps more important to highlight the way the majority, albeit disgruntled, has accepted that the country should be run by civilians. Nor should events in Argentina be seen in isolation.

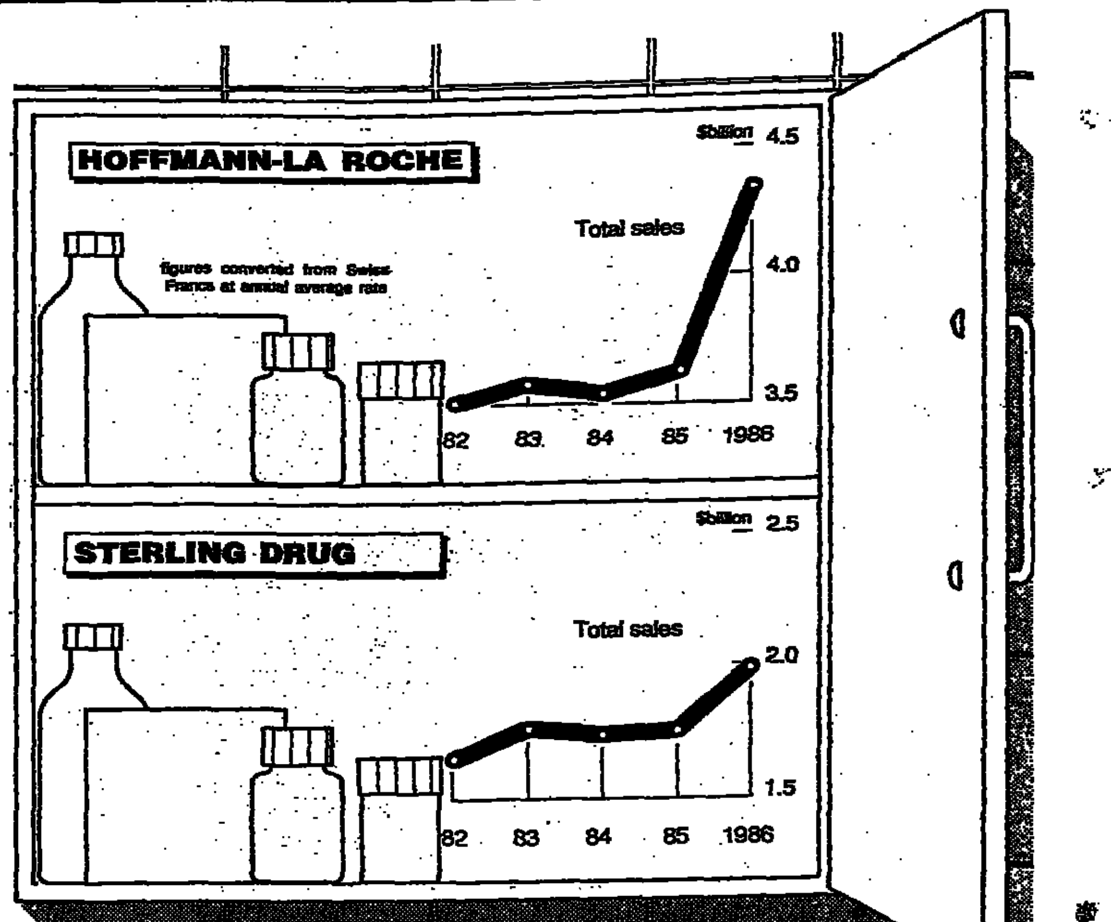
In Spain, the most remarkable example of a successful transition from a military dictatorship to civilian rule, the armed forces proved far more troublesome than in Argentina over a period of six years. There were at least two minor attempts at coups and one major one as late as 1981. All sorts of concessions were made to pacify the military, including a Constitution that gave the armed forces an unnecessarily large role. Yet all these concessions had the broader objective of smoothing the process of transition and have been vindicated. In less dramatic circumstances where the military have ceded power such as Brazil or Peru, there have been rumblings of discontent and considerable behind-the-scenes pressures exerted that have brought concessions.

President Alfonsin has to contend with many more problems than post-Franco Spain and Argentina does not have the impartial institution of monarchy to act as a bridge to the armed forces. For this reason it is vital that he retain public support across the parties, because in the end he can only stand up against the military if the country is behind him.

THE HOFFMANN-LA ROCHE BID

Trying to grow over the counter

By Peter Marsh, William Dullforce and James Buchan



A WORLD FAMOUS American physician remarked recently that in his estimation a quarter of all US cardiologists were taking an aspirin a day to ward off heart attacks.

This statement, pointing to the rapidly increasing consumption of over-the-counter medications by the professional classes in the US, explains the main rationale behind the $4.2bn bid by Hoffmann-La Roche, the Swiss drugs manufacturer, for Sterling Drug, a smaller US pharmaceuticals company with an important niche in the market for non-prescription formulations.

The proposed takeover, which would be among the biggest ever by the usually ultra-cautious Swiss industrial community, has already delighted Wall Street. Brokers have followed gleefully the subsequent rise in Sterling's share price. Within an hour the stock was up at over $75½, a rise of $18⅜, and well above Hoffman-La Roche's $72 offer.

"It's wonderful. It's magnificent," said Mr Neil Sweig, a drug analyst at Prudential-Bache in New York. "It's not a bad way to start 1988."

For several weeks, Wall Street has been predicting that big foreign companies were only waiting for the US dollar to stabilise to go on a buying spree of US businesses. This week's bounce in the dollar exchange rate could well bring the foreign buyers out, analysts say. The prices of US business assets, as measured by stock prices, are already down around 40 per cent in terms of the strong European currencies since the stock-market peak last August.

"Foreign companies are coming to the US to establish immediate and substantial footholds in US industry," Mr Sweig said.

Analysts say that last month's offer by Sanofi, the French pharmaceuticals group, for A.H. Robins, the bankrupt maker of non-prescription drugs, set the scene for a new European descent on the US pharmaceuticals industry. But Sterling Drug — with 1986 revenues of $1.99bn — is altogether a more significant catch.

Until the last couple of years, both Hoffmann-La Roche and Sterling fell into the category of pharmaceutical industry laggards — but both have been improving strongly, mainly by tightening up management of costs and improved marketing.

For Hoffmann-La Roche the deal makes strong commercial sense. The company appears anxious to shrug off its reputation as a dour multinational with one spectacular bestseller, Valium tranquillisers, struggling to match that success.

In 1973 Hoffmann-La Roche booked a 12 per cent ratio of net earnings to sales. By 1981 this had deteriorated to 3.7 per cent, growth in tranquillisers was tapering off and the group was slow in finding new products.

Management was obtaining a poor return on assets, failing to take advantage of its strong marketing organisation and in particular not reaping the full rewards of its important US business. The US, which accounts for some 30 per cent of world pharmaceutical sales, has long been Hoffmann-La Roche's biggest single market. In the mid-1980s, some 40 per cent of group turnover was generated in North America.

The US over the counter drug market could soon reach $25bn

The US patent on Valium was due to expire in 1985, however, and the company had won a bad reputation from quarrels with health authorities over the pricing of its drugs.

Since the 1981 nadir Hoffmann-La Roche's situation has substantially improved, under a rejuvenated management team. In 1986, the company's ratio of net earnings to revenues had revovered to 5.3 per cent, although the expiry of the Valium patent was felt to the full.

Most importantly heavy investments in research and development (SFr1.1bn last year) have paid off in new pharmaceutical products, such as the antibiotic Rocephin. Management has managed to bring these to the market in time to compensate for the decline in tranquillisers which two years ago still accounted for half of all pharmaceutical sales.

Mr Fritz Gerber, chairman and chief executive, remarked at a press conference last May that with SFr3.8bn (£1.6bn at today's exchange rates) in liquid assets in the kitty he was looking for takeover candidates. Mr Gerber hinted at his interest in the fast-growing US market for over-the-counter medications, loosely defined as drugs which can be bought without a doctor's prescription.

Hoffmann-La Roche, with 1986 sales of SFr 7.8bn ($4.34bn at average 1986 exchange rates) and 46,000 employees, is roughly twice as big as the US company in terms of revenue and workforce. It already sells about a third of its output in the US — but it has hardly any presence there in the non-prescription drugs business.

Sterling, meanwhile, is firmly among the big four US companies in over-the-counter medications, in a business which in the US is growing at about 10 per cent a year and which in 1988 will be worth an estimated $10bn in retail prices.

The other leading companies in this business, which some analysts think will grow to a value of as much as $25bn by the early 1990s, making it as important in dollar terms as the US prescription drugs market is now, are American Home Products, Bristol-Myers and Johnson and Johnson.

Sterling's biggest over-the-counter product is Bayer aspirin, which is sold independently of the West German chemicals company of the same name and which in recent years has been chalking up annual sales increases of up to 30 per cent.

The US company has won admiration in marketing circles for its advertising campaign promoting the formulation as "The Wonder Drug That Works Wonders". The slogan is closely tied to Sterling's gambit in aiming the product, which is best known as a pain killer, at people who wish to reduce the dangers of heart disease — a marketing thrust which has won the approval of the US Food and Drug Administration and, so it appears, a significant number of US heart specialists.

Reasons for the take-off in the US in over-the-counter medications, easily the world's biggest market for products of this kind and where in recent years sales have grown more strongly than in Europe and Japan, include the generally high interest in personal health care among the US population. Research-based drugs companies, which gain the lion's share of their sales through prescription-based formulations, have been in many cases keen to expand sales by branching out into the consumer-led drugs market.

In this category come Smith Kline and French Laboratories of the US, which is already preparing an over-the-counter version of its Tagamet anti-ulcer formulation, and Switzerland's Sandoz. The latter last month signed a deal with Glaxo of Britain to promote in the US a non-prescription form of Glaxo's Zantac, another ulcer drug which is the world's top selling medication but which now is available only on prescription.

Several other European drugs companies have already followed the proposed path of Hoffmann-La Roche into the US, notably Beecham which a few years ago bought Norcliff Thayer, a leading US non-prescription drugs concern.

Although Hoffmann-La Roche has virtually no current interest in over-the-counter medications, it is already reasonably diversified, gaining only about two-fifths of its sales from prescription drugs and the rest from a variety of mainly research-based products like vitamins, fine chemicals, perfumes and diagnostic equipment.

Sterling, in contrast, gains roughly equal proportions of its sales, about a quarter, from prescription and non-prescription drugs. Included among the latter are Panadol and Midol, both pain killers.

The other half of the company's sales are from a range of household products, including disinfectants, room deodorisers and floor cleaners.

Mr Ian White, a pharmaceuticals analyst with Greenwell Montagu, a London stockbroking firm, said yesterday he assumed Hoffmann-La Roche would not sell the household-goods business, if the overall deal went through, but would use this to complement its move into the consumer end of the drugs industry.

Other analysts have been impressed by the way Sterling's relatively small prescriptions business fits in reasonably well with Hoffmann-La Roche's product line. The US company's biggest prescription product is not really a drug at all but a chemical called Omnipaque used as an imaging agent in scans of the cardiovascular system to spot heart disease. Sterling's strength in this area could complement the increasing interest by the Swiss concern in building up expertise in medical diagnostics.

In theory at least the high profile Hoffmann-La Roche gives to drugs research and development — it spends about $400m a year in this area, one of the biggest research bills of any drugs concern — should give it plenty of promising products to spin out via a network of over-the-counter salespeople based in the US.

Although the Swiss company's biggest selling drug is Rocephin, an antibiotic for use in hospitals which has displaced Valium as the concern's most important product, it also has a keen interest in drugs for combating acne, insomnia and dandruff — all areas which could lend themselves to the over-the-counter market, possibly in a modified form.

Wall Street analysts say Hoffmann-La Roche is offering a generous price for Sterling Drug. The $72-a-share offer is higher than Sterling Drug's all-time high of $69 at the market peak last year,and is a lavish multiple of Sterling Drug's net profits, which were $171.5m, or $2.91 a share, in 1986. Swiss analysts agree: they comment that Sterling Drug has not been the most profitable of US pharmaceutical manufacturers, and they are sceptical about the fit with Hoffmann-La Roche.

Despite this scepticism, the rise in Sterling Drug's stock price above the $72 offer appears to indicate that Mr Gerber, the Hoffmann-La Roche chairman, has a fight on his hands. Analysts say that Mr John Pietruski, chairman of Sterling Drug, may seek to maintain the company's independence, or seek a higher offer from elsewhere, with several companies (including Bayer) mentioned as possible saviours. "There could be a bidding war," said Dr Jonathan Gelles, an analyst at Wertheim Schroder in New York.

In such a war, Hoffmann-La Roche would be well armed. In addition to its SFr3.8bn in liquid assets, the company has hidden reserves, like most Swiss companies, accumulated thanks to indulgent Swiss corporate tax rules.

Men and Matters

A Tory David in Israel

Foreign Office ministers of state are seldom either seen or heard.

Yet, while David Mellor's televised argument this week with an Israeli colonel at a Gaza refugee camp provoked the fury of his hosts — and earned him the title of Nosey Dave from The Sun — it was not out of character.

Mellor has always been publicity conscious — never turning down an invitation from a radio or television programme, even at times volunteering to appear. He is also assiduous in maintaining contact with journalists, and providing the odd titbit from time—to—time leading to favourable references.

Mellor's undisguised ambition and youthful success has naturally led to jealousy among parliamentary colleagues. He is still only 38 and has been a minister for more than six years, Yet even his fiercest critics would not deny his energy or his skill in the Commons.

After a brief apprenticeship as a junior energy minister, he served in the Home Office for more than four years, where he was one of the Government's most effective spokesmen in handling a series of controversial bills, and in fighting drug abuse.

He was moved across to the Foreign Office after the June 1987 election. There he soon attracted attention in handling the despatch of British minesweepers to the Gulf in the dog days of August when more senior ministers were away.

Mellor is in many ways in the classic mould of the successful Thatcher minister — starting at a grammar school in Dorset, a sprig of the Young Conservatives in his mid-teens, then Cambridge and the Bar. He won a marginal seat (Putney) from Labour in 1979 and quickly impressed the whips with his assiduity.

He has been seen as a possible candidate for promotion to the cabinet later in this parliament — and the question now is whether Mrs Thatcher will be more impressed by his outspokenness or his ruffling of the diplomatic niceties.

Dons' delight

Dons desperate for a crust from government may care to note that prizes totalling £130,000 will be on offer this summer to those with well—honed schemes for creating new companies, or turning science into new products.

The Academic Enterprise Competition will award separate prizes of up to £25,000 for the best technically-based business proposition, and for the best example of a technology transfer from lab to market in the last five years.

It also offers up to £15,000 to reward good design in innovative products and processes.

Behind the competition stands the British Technology Group, official sponsors of technology transfer from publicly funded research such as the universities, into commerce

BTG is an agency of the department of trade and industry, whose chief engineer and scientist Dr Ron Coleman will be one of the judges, along with A.J.Shepperd, chairman of Wellcome, and Charles Reece, ICI's research and technology director.

Dons have until mid-August to polish their business plans — which the City of London keeps saying is the weak spot in most schemes put its way.

"Spare a quid to boost the dollar, guv."

Shirted ones

A silk shirt printed with black and white love messages to president Mitterrand is the latest rage in select Paris designer boutiques, and yet another boost to a re-election campaign that he has not yet formally entered.

The shirts, carrying the slogan "J'Aime Ton-Ton", have been designed by stylist Marie Beltrami, a Mitterrand admirer, and will sell for FFr800.

"Ton-Ton", an affectionate diminutive for "uncle" in France, has been Mitterrand's nickname since 1981 when it was used as a code signal by security forces.

French newspapers are carrying a great many advertisements from his anxious supporters asking him to say if he will run in the spring.

Power drive

The fine art of creating and maintaining the status symbol has reached a new pitch of ingenuity in west Germany.

Many of the new BMWs and Mercedes now on west German roads do not carry the makers' badges, which tell curious passers-by the car's engine size.

German owners of more upmarket machines are actually paying the car makers up to DM 300 (£100) extra to supply new cars off the production line without the boot badges.

Two types of owner are engaged in this activity. One is the purchaser of a large car with the small engine option. He does not want the Schmidts next door to know that he does not have the bigger engined — and higher priced — model.

The other is the very rich owner with the big car and the big engine. Going without the boot badge allows him the opportunity of actually telling neighbours and colleagues that he does have the big engined model — but thinks it a bit more egalitarian not to show it.

Hearties

A converted college building in Preston, Lancashire, is shortly to become the centre of an unusual voluntary project to help people recover from heart attacks.

The project is run by Heartbeat, a charity which in recent years has collected £200,000. Much of the money has gone towards adapting the building, formerly part of Lancashire polytechnic, to serve as a permanent headquarters for the charity and to let it expand its operations.

The scheme started 10 years ago when Doug Watt, a heart specialist, and Bruce Davies, a physiologist, began advising people how best to go about recovering from heart attacks.

They devised an exercise programme, dovetailed to suit the needs of individuals, together with advice on diet. Men and women on the course attend three training sessions a week, during which their heart functions are analysed while they gently run on a treadmill.

The first person to go on the programme was a Manchester businessman Ken Bromilow. He was so taken with the idea that he became chairman of Heartbeat and has devoted much of his time since to raising money for the organisation.

Bromilow's target now is to offer exercise sessions to 3,000 people a year.

Alternative view

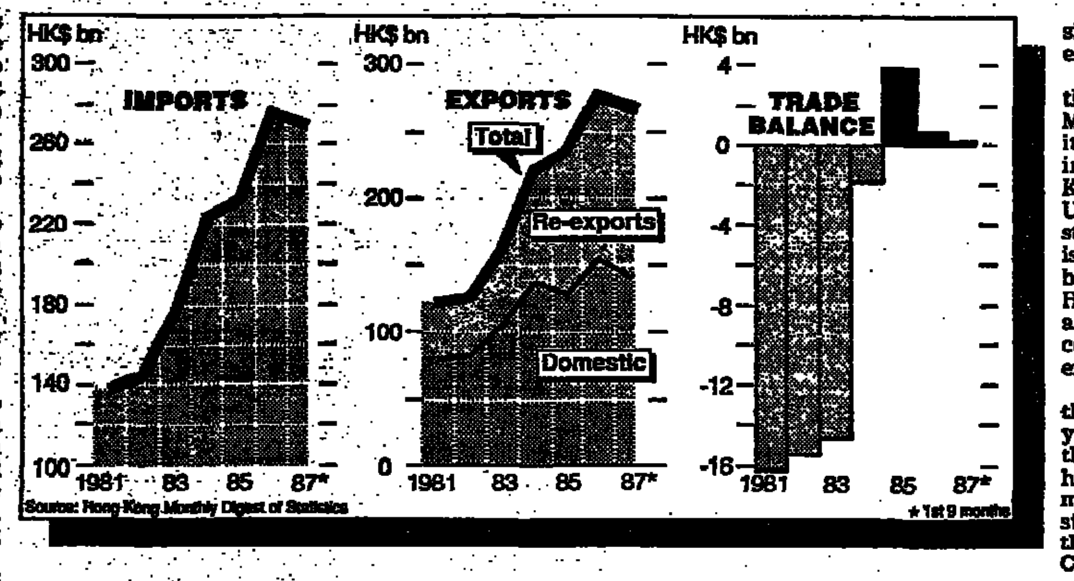
As a reader was drinking in the glory of Athens from the top of the Acropolis an American couple came up the steep pathway and stood in front of the Parthenon.

"Gee, Elmar", said the wife, "you can see the Hilton from up here."

Observer

David Dodwell on efforts to restore faith in Hong Kong

A crisis of confidence



FOR a government that has been floundering over the greater part of the past year to inspire public confidence, swift moves over the weekend to arrest three of the most powerful figures on the Hong Kong Stock Exchange may prove to be a watershed.

With just nine years to go before China takes sovereign control of the territory, there is a heavy responsibility on the British administration to prevent any collapse of confidence. So far it has not been conspicuously successful.

Emigration of those able to get visas to live elsewhere, a sure measure of confidence in the handover, has reached such alarming levels over the past year that even mainland Chinese officials in Hong Kong have made pleas for calm.

The embattled government has been the target of all manner of unkind and uncomplimentary epithets. In an emotional debate over political reform from an almost wholly appointed government to one that admits directly elected representatives, it has been charged with duplicity and cowardice in the face of pressure from Beijing for minimal change. It has also been attacked for indecisiveness over major commercial decisions like whether or not to give a green light to a HK$25bn (£1.7bn) new airport.

Most damaging of all, when the world stock market crash in mid-October prompted the collapse of the local futures exchange and a four-day suspension of trading on Hong Kong's stock market, it found itself condemned by the international broking and banking community for being ill-prepared and reluctant to act.

For a government that is committed to minimal intervention, and from a population that by and large prefers it that way, some of the attacks are probably unfair. Officials have often in the past pointed colourfully to the choices that exist between living in a swamp of crocodiles or a Swedish dairy. The clear local preference has been to accept the risks – and profits – of operating in the swamp of a comparatively unregulated market.

Now the price of restoring credibility may have to be a shift towards the deadening regulation of a Swedish dairy. How stultifying an influence this will have on one of the world's most dynamic economies can only be guessed.

Paradoxically, the territory's phenomenal economic performance has belied the political uncertainty. This may be due in part to the growing urgency with which local people are trying to generate enough wealth to migrate or at least find some form of safe haven ahead of 1997. Gross domestic product growth for the year is expected to pass 12 per cent in spite of the recent stock market collapse, after growth passing 13 per cent in 1986. Unemployment is a negligible 1.8 per cent, manufacturers' order books are full for more than four months and inflation has remained at a manageable 6 per cent.

While this buoyant economic performance has done little to bolster the public mood (most people would comment that the economy has done well in spite of, rather than because of, the government) the dramatic arrests of the past weekend may provide the catalyst for change that the administration has so far sought in vain.

The arrest of Mr Ronald Li, the powerful former chairman of the Hong Kong Stock Exchange, and two senior colleagues, in connection with inquiries into "the operation of the Stock Exchange" provided a rare demonstration of decisiveness and courage.

Of course no charges have yet been brought, and the signs are that they may take months rather than weeks to prepare. Whatever the outcome of any eventual legal action, it is hard to believe that this and other action taken over the past two months will not lead to a significant improvement in the level of professionalism with which a securities industry that claims to be international is being run.

The world stock market meltdown had a more sobering effect in Hong Kong than almost anywhere in the world. The immediate bankrupting of the local futures market revealed widespread abuse of regulations and slip-shod market supervision over fundamental matters like the maintainance of margin requirements.

The collapse of the local 24-hour share settlement system – which involved a massive daily paper chase around the territory's central financial district as scrip was physically transferred from seller to buyer – was given as the reason for closing the stock exchange, though it was soon apparent that more complex factors were at play. Proposals to reform settlement methods have been on the table but ignored for more than four years

Mr Ronald Li – then still chairman of the exchange committee – claimed when his committee closed the exchange that Hong Kong had sensibly taken shelter during the typhoon raging around the world's markets. Instead, when it reopened, share prices fell further than they had on any other major exchange worldwide.

By the time the market reopened, the government had rushed into place a HK$2bn lifeboat to refloat the futures exchange. The head of one leading international stockbroking firm recalled: "What was unforgivable was that it took the authorities a disgraceful period of time to focus on what the origins and dimensions of the problem really were. We discovered that instead of delegating responsiblity to regulate the markets, the government had in fact abrogated its responsibility."

One of the steps to put this right is the recruitment of Mr Robert Fell as an interim chief executive of the stock exchange. Mr Fell was once chief executive of the London Stock Exchange and for the past six years has worked in Hong Kong first as securities commissioner and then as banking commissioner.

He now finds himself at the heart of regulatory reform in the stock exchange. Among his first steps he has recruited a number of former London Stock Exchange colleagues to form an embryonic professional management team at the exchange.

Despite the seriousness of the weekend developments for Mr Li, he is still widely credited with having wrought impressive change in Hong Kong's securities industry. Using his undoubted skills as a street fighter, he first galvanised his Far East exchange to become the most dynamic of Hong Kong's four exchanges, and then in April last year succeeded in unifying the four exchanges under one roof.

"The problem for Ronald was that the boom of the past two years demanded a maturity on the exchange that no-one had had time to develop," commented one long-standing stockbroker. "He ran it with the dictatorial style common in Chinese family businesses – which was fine while trading was a predominantly local affair, but fatal once it began to develop into a genuinely international exchange."

The securities commission has also proven to be hopelessly inadequate for present needs. It is almost certain that the inquiry into the securities industry being headed by Mr Ian Hay Davison, former chief executive of Lloyds of London, will recommend significant structural change in the commission.

Throughout this crisis, officials in Peking looked nervously on, hamstrung by the knowledge that interference by them would almost certainly only make things worse. During most past economic crises in Hong Kong, it has been China that has been blamed for rocking the boat, and they can have drawn only grim comfort from the fact that the failings exposed in October were of the existing administration's own making.

From Peking's end of the telescope, there is a terribly small team in Hong Kong running what in the future may be a critically important part of China's economy. Peking remains committed to modernising its economy and gives the highest priority to maintaining Hong Kong's wealth. Any actions by the present administration which jeopardise that can be expected to cause great alarm.

For those who thought it might only be China – and doctrinaire Chinese bureaucrats – that could kill a goose that lays golden eggs, the last year has been a sobering warning that the goose is vulnerable to its own cherished laissez-faire principles and that there are weaknesses enough in the existing administration for complacency to be dangerous.

Employee share ownership

Why ESOPs need not be a fable

By Bryan Gould

EMPLOYEE share ownership schemes have been a subject of much interest to the Left over a long period and in many different countries. It is, therefore, more than a little surprising to find that the suggestion that they should be considered as an additional means of extending social ownership in the UK should have aroused such opposition in some quarters.

The notion that workers should own and control the enterprise for which they work has a long and honourable history in socialist – and particularly British socialist – thought. Robert Owen, the guild socialists, the syndicalists, the co-operative movement, have all represented in their various ways a form of decentralised British socialism which remains a strong theme of much *modern socialist* thinking.

More recently, the Labour Party itself has shown considerable interest in these ideas. In the 1960s, both the Party and the TUC published statements favouring some kind of capital sharing, and in 1973 the Labour Party published an Opposition Green Paper, entitled Capital and Equality, which recommended the establishment of a scheme for workers' capital sharing through a National Workers' Fund. This was regarded at the time as an extremely left-wing idea which *the Right managed to scupper.*

Other socialist parties, notably in Scandinavia, have also embraced these ideas. The Swedes have implemented a system of workers' investment trusts, or "wage-earner funds", set up on an industry-wide basis, while the American concept of employee share ownership plans was adapted by the Labour Party for inclusion in its 1986 statement to Annual Conference on social ownership.

The American experience is particularly instructive. A survey of over 400 American firms which have employee share ownership plans (ESOPs) in place showed productivity gains of 2-4 per cent more than the average. On the other hand, the American schemes very often failed to ensure that workers gained increased powers as well as shareholdings; the Labour Party's proposals, by insisting on "democratic" ESOPs, were specifically designed to meet this point.

Employee share ownership schemes are of course already well-established in this country. Unity Trust, the trade union-sponsored venture capital institution, has done a great deal to promote the idea, and the trade unions themselves, or at least some of them, are increasingly interested.

None of those who have promoted these ideas over the years have suggested that they are in any sense an alternative to other forms of public ownership. Quite the reverse - employee share ownership schemes have always been seen as an extension of social ownership, in addition to other, more traditional, instruments.

They form an extension to social ownership

It is this possibility of going over to the offensive which remains the idea's principal attraction to the Left today. Instead of being limited to arguments as to where the dividing line should be drawn between public and private sectors, with employee share ownership schemes we have a form of social ownership which could be extended right across the private sector.

Is the notion truly a socialist one? There will be those who claim that only state ownership meets socialist requirements, but such people are considered eccentric these days even in Albania. Quite apart from the idea's long socialist history, it is surely undeniable, as the 1973 Green Paper points out, that employee share ownership does address one of the main socialist concerns – that workers are excluded at present from a share in the capital wealth created by the enterprises for which they work.

No one suggests that employee share ownership resolves all problems or that it is free from difficulties itself. Major questions will have to be resolved. Should the schemes be organised nationally, or on an industry basis, or company by company? What form should collective ownership take and what would be the rights of those who were part of the collective ownership? What rights should they carry with them? What proportion of shares should workers hold under such schemes? What should be the relationship between such schemes and the role of pension funds? What provision should be made for those who, like public sector workers or the unemployed, would not benefit from at least some of the schemes that might be adopted?

None of this should deter the Labour Party from looking at the very real possibilities of bending socialism through new forms of social ownership. We must not be frightened by the fears of the timid or the threats of reactionaries from thinking about forms of socialism which break new ground. Nor should we worry about the jibes of our opponents to the effect that the stock market crash has put paid to ordinary people's interest in owning shares.

Through employee share ownership schemes, Labour could offer the British people a form of "popular socialism" – very different from the private speculation in shares which characterises "popular capitalism". Mrs Thatcher has deliberately under-priced privatisation share issues in order to lubricate and popularise the process of transferring enterprises from public to private ownership; the last thing she actually wants is to change the way in which private owners run British industry.

The Left can call her bluff by using employee share ownership as a means of providing workers with a real stake in the enterprises for which they work. No one need make exaggerated claims for such a reform; but it would at least provide us with an additional, and potentially popular, weapon in our armoury.

The author is the Opposition spokesman on Trade and Industry.

Letters to the Editor

It should not be moved

From Mr Iain C. Baillie.

Sir, Each day members of my staff (and most of the UK patent firms in London) attend the Patent Office for one reason or another. This is particularly true for trade marks, which is an interview-intensive system. How does the Government believe that this can done in Cardiff?

The Patent Office and Trade Mark Registry are part of international trade. My clients from Japan, the US and Europe come to London; the courts are in London; the new Patents County Court is in London. For those agents not in London the thought of getting from Glasgow, Leeds or Norwich to Cardiff must be horrendous.

The Government has called for greater emphasis on protection of innovation but appears unwilling to apply any reasoned assistance to the UK effort.

The international firm of which I am a partner has active relations with every country in the world. I cannot think of one major country (apart from West Germany) where the Patent Office is not in the capital city. May I suggest that moving the Treasury, the Ministry of Defence and, probably, Parliament out of London would be less harmful to UK interests?

Iain C. Baillie,
High Holborn House,
53-54 High Holborn, WC1

Poll tax costs begin to emerge

From Mr A.H. Gower.

Sir, The first glimmers of the extra costs of gathering the Poll Tax are already appearing in our local area: Mole Valley.

Plans to employ and house 20 additional staff are being discussed. Likely costs are between £300,000 and £500,000 for building work, and, no doubt, an extra £100,000 or more for equipment, in addition to annual staffing costs of, say, £400,000 plus per annum.

Repeat these costs around the UK, and a tidy sum is involved. When hospitals are crying out for extra funds, it seems criminal thus to be adding to bureaucratic costs. For a Government pledged to reduce the burden of bureaucracy, it seems a curious way to go about it.

It is all so reminiscent of the changeover from purchase tax to VAT a decade or so ago. Only wholesalers and manufacturers dealt with purchase tax. Bureaucracy jumped several hundred per cent when retailers had to handle VAT.

A.H.Gower,
50 West Farm Close,
Ashtead, Surrey

Car tax is a false analogy

From Mr Roland Rench.

Sir, In at least three national opinion polls conducted in the last two years the greater proportion of the population (from all parts of the political spectrum) has clearly indicated that Local Income Taxes (LIT) would be the fairest system to replace domestic rates.

Nicholas Ridley, the Environment Secretary, has declared that LIT would mean "400 Chancellors, one in every town hall, deciding how much people should pay locally."

But are not 400 such persons at the moment deciding what we should pay; and, will they not be doing precisely the same if - heaven preserve us - the Community Charge is imposed?

Mr Ridley contends that the poll tax is fair because everybody, without noticeable quibble, pays the same amount of car tax, and for a television licence. That is a false analogy. You do not have to buy a car or a television set, unless you so choose - but you will be *compelled* to pay the poll tax, irrespective of means and with only the poorest being afforded any relief.

Roland Rench,
8 Minshull Place,
Park Road,
Beckenham, Kent.

Surely the IR can levy a local tax

From Mr Ian Ferguson.

Sir, I really cannot see why there should be so much fuss and bother over the Poll Tax. Surely to goodness the Inland Revenue can change its coding system to levy a local tax which is paid over to the appropriate authority. The Inland Revenue must know in which district people live. Such a system would be simple, fair, and save an awful lot of argument and administrative cost.

Ian Ferguson,
4 Burns Court,
Marine Parade,
Dawlish, Devon

No coherent base for compensation

From Mr A.P. Benson.

Sir, Your article (December 14) and your principal leader (December 17) on compensation for injury suggest the onset of a campaign on behalf of the innocent victims of one particular form of misfortune – injury or ill-health caused by manufactured products.

But you appear not to accept that such persons are better protected in legal terms than almost any other members of society who sustain ill-health or injury from non-product-related causes.

For example, the employee injured at his or her workplace needs to establish negligence or breach of duty on the part of the employer if he is to gain compensation: it is insufficient for him to establish merely that his injury is work-related. Even worse is the case of the person sustaining severe injury in his or her domestic environment, for example by falling downstairs: such victims have no effective recourse against any other party, even though their post-accident condition and quality of life may be grievous.

The "state of the art" defence on which you dwell in your leader will be extremely difficult to maintain for the industrial company which puts a defective product into the marketplace. It is expected to have almost no relevance to most future claims.

So long as we continue to tinker with our basic national system of law - one of the more obnoxious consequences of EC membership - by such measures as the partial abandonment of the principle of tort in specified liability areas, we will not obtain a coherent or equitable base for the compensation of injury or ill-health. To introduce contingent fees or class actions would merely enhance the distorting process.

All too often there seems to be confusion about the concept of legal liability and the availability of compensation. If compensation *per se* is a requirement, then surely the State must be the source of it: to confuse compensation with justice does no service to the tragic victims of misfortune who are without legal remedy.

A.P. Benson,
25 Scotlands Close,
Haslemere, Surrey

The poll tax may have an impact on house prices

From Dr Martin Ricketts.

Sir, An interesting debate has arisen on your letters page concerning the effect of the replacement of domestic rates by an equal yield poll tax. Samuel Brittan (December 10) fears that house prices will rise. Adrian Jack (December 18) argues that if the poll tax raises equal revenue, there will be no overall effect on house prices. He accuses Samuel Brittan unjustly of advancing a "myth" and later a "fallacy".

The argument appears to me to be about the *implicitly* assumed size of certain crucial economic forces rather than pure theory. Assuming, as do both Brittan and Jack, that the supply of housing is very inelastic, and that the rates are indeed a tax on housing, the effect of replacing them with a poll tax will depend on two main factors:

(1) The responsiveness of housing demand to income, and

(2) The degree to which people are prepared to substitute housing for other goods when relative prices change.

A few examples will help to illustrate the basic propositions.

If the demand for housing were entirely unresponsive to income changes (which it obviously is not) a rise in the price of housing would offset the reduction in rates, even if the poll tax which replaced the rates yielded equal revenue. The demand for housing would depend only on relative prices and not at all on income. In the absence of rates the price of extra housing would be lower, and quantity demanded would exceed supply. Only at the old tax-inclusive price ratio would demand and supply again be equal, and this would involve a rise in the market price. Samuel Brittan would be correct.

If changes in the relative price of housing (for any given level of real income) did not induce people to substitute housing for other goods, then Adrian Jack would be correct. In this case the demand for housing would depend not at all on relative prices but only on real income. Because the poll tax is assumed to leave disposable incomes as they were before, the demand for housing would be exactly as before, and so also would be its market price.

Imagine, however, that housing and other assets were highly substitutable. Then Samuel Brittan would be correct. Suppose, for example, that the income from some financial asset (say a government bond) had been taxed, but that this was now to be replaced by a poll tax of equal yield. Arbitrage would soon ensure that the price of the bond would rise until the return once more equalled that on other similar assets, and this would be so irrespective of the yield of the poll tax.

For what they are worth, back-of-the-envelope calculations can give an impression of the likely impact of the replacing of rates by a poll tax depending on a range of assumptions.

For example, if we assume an income elasticity, a price elasticity, and an elasticity of substitution all equal to one, a totally inelastic supply of housing, and a constant proportion of income spent on housing of 25 per cent, then 75 per cent of the reduction in the rates would be capitalised in house prices.

Martin Ricketts,
The University of Buckingham,
Buckinghamshire

FINANCIAL TIMES
Wednesday January 6 1988

Sarita Kendall in Bogota looks at the success of recent efforts to discourage cocaine production

Getting Colombia's farmers off drugs

Colombian anti-narcotics police (right) walk through a field of coca after blowing up an illicit cocaine laboratory.

YELLOW-GREEN patches stood out against the darker green mountainside across the valley. "They're coca bushes. Before, it was like that over here. We all grew coca. It was the only way to get a little income. Even if you knew you might go to prison tomorrow, you still went on growing it," Ramiro Robles, a small dark man in a red patterned shirt, waved at a field planted with maize, beans, manioc and young fruit trees. "Now we're learning new things. I'll be proud to show you my coffee and my fish pond."

Between 1980 and 1985 the peasant farmers of La Medina in the Cauca region of south western Colombia shared briefly in the cocaine bonanza. They harvested coca leaves and cooked them in primitive laboratories to make cocaine base.

Some took their produce as far afield as Medellin and Venezuela, others supplied buyers who drove in along the narrow winding dirt roads. Ramiro Robles was one of a few who spent their money wisely. He built a small house and acquired nearly three hectares of land.

But the bonanza also brought violence, drug addiction, roaring inflation and, eventually, even greater poverty. Coca, easy to grow on dry thin soils, had replaced food crops.

Estimates of the area devoted to coca in southern Cauca range from 4,000 hectares to more than 10,000 hectares – theoretically enough to produce between 20 tonnes and 50 tonnes of cocaine a year. Perhaps half of this was lost to the authorities and absorbed by the domestic market, leaving 10 tonnes to 25 tonnes for export.

The people of La Medina say they have cut coca production by at least 40 per cent over the past two years and newly-planted fields on many hillsides bear them out. The change is largely due to a United Nations-backed coca substitution project, designed to benefit about 54,000 peasants in southern Cauca.

The almost missionary-like zeal of the project personnel has awakened an extraordinary response in an area long ignored by government programmes.

The aim is to break dependence on coca income by diversifying agricultural production – first for local self-sufficiency, then for agro-industrial ventures and urban markets – and by raising standards of living. Colombia's powerful coffee federation, which has considerable experience in crop substitution, is matching UN funds to bring total investment to US$5.6m over 4½ years. Coca grows up to about 6,000 feet in the Andes mountains, roughly the same altitude as coffee.

"The peasants are not big producers of coca individually, but there are very many of them," said Mr Luis Felipe Ordonez, director of the Cauca coffee growers' committee. "We're convinced that things can't be done by force."

Senior narcotics officers agree that the carrot rather than the stick is the long-term solution, and they are not authorising anti-drug operations in areas covered by the project.

"It's a ceasefire, while we get things going," said Mr John Jairo Rendon, the project's co-ordinator. A police captain in the town of Bolivar conceded he had seen substitution going ahead, but nevertheless sent an intimidating heavily armed squad to the inauguration of a new school near La Medina. Mr Rendon took advantage of their presence to give them a lesson in agricultural economics.

Despite the arrest of Carlos Lehder and Jorge Luis Ochoa, both considered to be among the top four Colombian traffickers, cocaine is cheaper than ever in Bogota. Refined cocaine has fallen to $1,600 a kilo, a tenth of its price in the early 1980s as a result of spiralling production in Peru and Bolivia. Multi-tonne seizures by enforcement authorities in the Americas are no longer rare and production does not seem to have been affected by repressive action. However, the release last week of Mr Ochoa on a legal technicality illustrates the inability of the Colombian judicial system to deal effectively with cocaine traffickers and thus places even more importance on the grass roots movement.

The less dramatic but longer-lasting process of crop substitution is more likely to succeed provided the right formula can be found. Earlier efforts in Bolivia and Peru failed to build effective marketing opportunities for new crops, while peasant farmers continued to be pressured by the guerrillas, the military and the traffickers.

Like many parts of Peru and Bolivia, Cauca is a traditional coca-growing region where peasants and Indians chew the leaves to relieve hunger and tiredness. The guerrillas are never far off and a machete-carrying peasant spoke of the Farc (the revolutionary armed forces of Colombia) with gratitude: "They helped clean things up round here. I was nearly hanged once by some traffickers, and robbed another time in my own house. The Farc fixed things." So far, the guerrillas have left the project in peace.

At La Medina, a 1,000 metre square cement chess board will soon be completed so manioc can be dried in the sun. The area planted with manioc has grown from 18 to almost 100 hectares, and the producers' association has 129 members.

Working through 118 small "friendship groups" of peasants, agricultural extension workers have improved techniques, experimented with new crops, approved credit and built up a network of committed farmers who are learning to demand action from state bodies.

Most of the houses, built of sticks and mud, have no electricity or running water. The peasants often have no legal ownership documents for their small plots of land. Primary schools usually stop at the fourth grade and many villages are hours away from the nearest road.

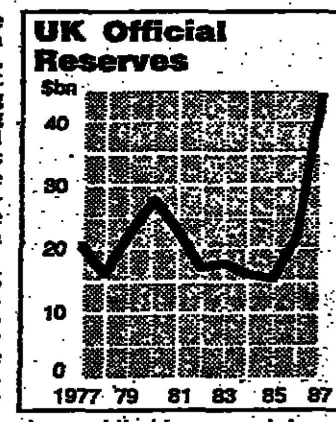
"We've built 23 aqueducts in the area. Infrastructure projects are, let's say, a prize earned by communities in the project," said Mr Rendon. To "earn" an aqueduct, a school, an irrigation system or a self-help housing programme, the community has to show progress in crop diversification and be willing to supply the labour.

The project is voluntary, and groups from new areas are constantly asking to be included. A strong, tightly knit team with financial independence, a minimum of red tape and no involvement in local politics are some of the ingredients for success, according to Mr Rendon. He has managed to achieve unprecedented co-operation between normally disparate bureaucracies, and turned crop substitution into effective integrated rural development.

Ramiro Robles admits that the drop in cocaine prices has made it easier to pull up and burn his coca bushes. He and other farmers asked anxiously about future financing: "We've never had help like this before but we're only just getting started. In a few years we'll be able to go ahead on our own. This is what will bring peace in Colombia." If funding can be found, the Cauca pilot project is to be extended to other coca producing regions such as Caqueta, the Putumayo and the Sierra Nevada de Santa Marta.

THE LEX COLUMN

Springing the bear trap



The world's central banks are playing a very clever game in the foreign exchange markets, but it is still far from clear that they are backing the winning side. Last week when trading was very thin they appeared unable to halt the dollar's slide,raising fears that when the heavy hitters returned from holiday the dollar would go into free fall. It now seems that this was a carefully laid ambush.

The dollar was already looking oversold last week. It had fallen by around 16 per cent in just three months, and even the bears would admit that there must be a limit to how long it can continue to head in one direction without a correction. Add in rumours that next week's US trade figures for November are going to be far better than the previous month, and there were the makings of a highly unstable situation which the central banks have exploited with finesse. They have given the speculators a bloody nose and proved once again that concerted intervention can be very effective in stabilising a currency which was behaving in a highly dangerous fashion.

This action has provided the dollar with a breathing space, at least until the publication of the US trade figures. However, yesterday's massive rises in the 1987 foreign exchange reserves of both Japan and the UK underline the heavy costs of propping up the dollar, and raise questions of how much longer other major countries are going to risk inflating their money supplies in order to bail out the Americans. The recent softness in US interest rates is a worrying reminder that the fate of the dollar is less important than avoiding a recession.

Roche/Sterling

Hoffmann-La Roche's $4.2bn bid for Sterling Drug of the US looks a bold move, but may yet prove only a sighting shot. At $72 per share, the offer is worth perhaps 18.5 times 1988 earnings for a company which has just re-entered a growth phase after a long dull patch. As Wall Street recognised yesterday by pushing the shares above the offer price, there are plenty of plausible counter-bidders. Any number of big US companies are known to be interested in getting into health care, and among the Europeans Bayer, for one, must surely be calculating how much it is worth to reclaim its own brand name in the US aspirin market.

Whatever else, the bid is not the start of a rationalisation of the world's big research-based drug companies. Sterling has some prescription drugs which could usefully be handled by Roche's large US sales force, but the thrust of the bid is aimed rather at US consumer markets and above all at Sterling's OTC drugs portfolio. It remains to be seen whether US drug companies without OTC exposure – Pfizer, say – might be drawn into battle by the chance to hedge their bets away from the increasingly chancy business of prescription drug research.

It is unclear, meanwhile, what might happen to the household products business which makes up around half of Sterling's sales. Roche seems to want to retain it, but if a counter-bid should push the price up the motive to sell might become stronger. Either way, there is surely more action to come.

BP

Any BP shareholder still dithering about whether to sell to the Bank of England before today's 3pm close may be further confused by the company's revised profit forecast, which adds $60m to current cost profits but reduces the historic cost figure by £100m. Of the two, the first is the more significant, as it demonstrates the happy effect of a lower dollar and a weaker oil price on refining and marketing margins. The second merely reflects the larger stock losses caused by the year end plunge in the oil price – which in any case has been partly reversed in the last two days. More important than either in determining how much of BP is renationalised today is the latest rise in the oil price and the bounce in the market. With most of the market makers already quoting ex-safety net prices of at least 71p, and with the Kuwaitis having already taken care of all but the tightest holders of stock, the Bank's offer should close quietly.

Hawley Group

From the offshore haven of Michael Ashcroft's Hawley Group this year came a corporate Christmas card with a difference: "Which turkey won't be roasted this Christmas? The one in the Bermudas." The sketch inside of a bird in long shorts did not look a bit like Mr Ashcroft – but it did look frightfully pleased with itself.

On the face of it, yesterday's Cope Allman deal will prove another cause for satisfaction. When the music stops in what is a highly complex and circular game of musical chairs, Hawley will end up having been repaid some two thirds of the $500m or so owed to it by its associate, Henlys, arising from the disposal of various Hawley assets to Henlys last year. This must be a relief in itself given the high level of Henlys' gearing. On the face of it, too, Mr Ashcroft will have managed to sell a business for £210m and buy back 49 per cent of it for £77.7m in equity and loans. When Cope Allman is eventually re-floated, yesterday's deal could look even tastier, depending on how the company in its new form copes with its presumably high level of gearing.

On another interpretation, of course, Mr Ashcroft is merely transferring assets from one pocket to another and raising off-balance sheet finance in the process. Hawley shareholders may find this needlessly confusing, but presumably they are used to that.

Sears/Freemans

It does not say much for Freemans' defence so far that Sears feels able to launch a final bid before it has seen the half of it. In its first sally, Freemans weakened its case by cataloguing the problems it has faced this year; so in the unlikely event that it produces a profit forecast much better than flat, Sears could always counter with claims of creative accounting. Although the 11 per cent rise in the offer to 315p is not much more than the advance in the stores sector since the first approach was made, it should do the trick. A 93 per cent premium to the pre-bid price and an exit multiple of over 20 are hard to argue with, and after all, cash is cash. Meanwhile, with the list of potential white knights having shrunk almost to nothing, Freemans is evidently hoping to escape unaided. Yesterday's close of 311p and Sears' creeping purchases in the market tell another story.

Syria steps up efforts to defuse Gulf war

By Our Middle East Staff

SYRIA is stepping up its diplomatic drive to defuse the Gulf conflict and prevent a new Iranian ground offensive against Iraq on the south-west front opposite Basrah.

Mr Abdel-Halim Khaddam, one of the country's three vice-presidents, was yesterday about to set out for the Arab Gulf states with Mr Farouq al–Sharaa, the Foreign Minister, according to reports from Damascus.

The two leaders would carry messages to the conservative Arab states forming the Gulf Co-operation Council on Syria's recent contacts with Iran.

Mr Khaddam's involvement in the mediation bid is seen by diplomatic observers as a clear indication of the seriousness of Syria's attempt to bring about some kind of accommodation between the warring countries.

Mr Shara's consultations with GCC leaders during their December summit meeting in Riyadh was preceded and followed by visits to Iran.

Syria's diplomatic efforts were reckoned to be one reason why the GCC's condemnation of Iran in its final communique was relatively mild.

His shuttle had succeeded in creating a positive atmosphere for talks between Iran and the Arab states of the Gulf seeking to end the seven-year-old conflict, Syrian television said on Monday.

It was responsible for the willingness of Mr Ali Akbar Velayati, Iran's Foreign Minister, to welcome envoys of the GCC, the state-owned station added.

Before Christmas President Assad stressed that his country's close relations with Iran had not been shaken, but after the Arab summit in Amman early in November, there were signs that rapprochement with Iraq might be possible.

US satellite group attempts to block Cable & Wireless plans

BY TERRY DODSWORTH AND DAVID THOMAS IN LONDON

PAN AMERICAN Satellite of the US, which plans to set up the first competitive transatlantic telecommunications satellite service, is trying to stop Cable & Wireless of the UK expanding in the US on the grounds that the British company is obstructing its progress in Europe.

PanAmSat, which has backing from the US authorities to run the first private international communications satellite, has appealed directly to President Ronald Reagan on the issue, saying that C&W should not be allowed to expand in the US until the UK opens its market to PanAmSat. It has also asked Mr Reagan to press the British Government to give the go-ahead for its operations.

The US group is drawing a parallel between its attempt to offer services in Europe and the battle last year by foreign companies, including C&W, to be allowed to offer international telecommunications services in Japan. This battle was successful only after intervention by the US and UK governments.

PanAmSat has told the Federal Communications Commission, the US regulatory agency for telecommunications, that C&W's Mercury subsidiary in the UK has refused to negotiate seriously on proposals to connect its satellite with Mercury's network in the UK. PanAmSat cannot transmit between its satellite and an earth station in the UK without an agreement with either Mercury or British Telecom.

In a move to link the issue of C&W's development in the US with its own efforts to launch a service to Europe, Mr Rene Anselmo, PanAmSat chairman, said in a letter to President Reagan last week: "Hopefully, the FCC will not grant Cable & Wireless the right to extend further their business activities here until the UK opens its market to us."

PanAmSat has filed a complaint with the FCC seeking to prevent C&W from selling services between US telephone companies and a number of countries, including France, Australia and India.

Mr Anselmo said in his letter that both C&W and British Telecom were attempting to preserve the monopoly of the publicly-controlled Intelsat satellite communications consortium, to which they are signatories.

However, Mr Gordon Owen, Mercury managing director, said last night the company had no fundamental objection to dealing with PanAmSat, but that it had not received a detailed commercial proposition.

Mr Phillip Spector, a Washington lawyer working for PanAmSat, said:"We have made it quite clear that our main interest is not excluding C&W from the US market, but gaining entry to the UK." PanAmSat's first satellite is due to be launched in March by Arianespace, the European Space Agency organisation.

In addition, Oftel, the UK's regulatory body, is investigating a complaint from PanAmSat that BT is breaking its licence by refusing to deal with it. According to Mr Spector, PanAmSat has already lined up a number of business customers for its services in Britain, and is now talking to other European telephone authorities.

The conflict in Washington is another illustration of the increasing pressure to introduce more competition into international telecommunications. At present, cable and satellite links between countries are owned and run by the traditional telephone monopolies.

Ironically, C&W itself has been at the forefront of the struggle to break these closed partnership arrangements with plans to lay new fibre optic cables across both the Atlantic and Pacific oceans.

PanAmSat, which was brought into being mainly at the insistence of the present White House Administration, is now contending that the support C&W received from the US during its battle to offer a service in Japan ought to be reciprocated in helping to open communications between the US and the UK to wider competition.

Bush urges banks to write off more debt

By Stewart Fleming in Washington

US VICE PRESIDENT George Bush yesterday urged commercial banks to write off part of their loans to developing countries in an effort to resolve the Third World debt crisis.

Mr Bush, who is seeking the Republican Party's presidential nomination, told an audience in Washington:"I think it is proper that these banks take a look at writing down to some degree their loans."

Drawing what he conceded was only a partial parallel with the First National Bank of Midland in Texas, which failed as a result of having made some bad oil industry and agricultural loans, Mr Bush said: "I am saying there is precedence for writing down loans and there is precedence for some people whose institutions made bad loans...taking a beating whether it is in a lower stock price or whether, as happened in a much less relevant way in west Texas, getting totally wiped out."

Mr Bush's comments on the Third World debt issue are particularly noteworthy because he is a close political ally and friend of Mr James Baker, the US Treasury Secretary. In his speech, Mr Bush endorsed the recent proposal backed by Mr Baker to encourage banks to write off part of their Mexican debt.

"I am interested in the proposal by the US Treasury...in terms of flexibility on the debt with Mexcio," he said.

First National Bank of North Carolina announced earlier this week that it was writing off 56 per cent of its $107m Mexican loans. The announcement has reportedly irritated some larger banks, which see the NCNB decision as encouraging other banks to swap some of their existing loans to the country for new ones under a scheme proposed by Mexico and Morgan Guaranty Trust, the New York bank.

Saudis drop plan to tax foreigners

Continued from Page 1

denominated in dollars.

The measure, proposed by the Council of Ministers, was adopted in response to the country's yawning budget deficit. To help cover the anticipated 1988 budget deficit the Saudi Government said a week ago that it would issue SR30bn ($8bn) of Treasury bonds – equivalent to more than 20 per cent of projected state expenditure totalling SR141.2bn.

Despite the hasty rescinding of the income tax decree, it is unlikely that the Saudi Government has fully renounced the principle of taxing foreigners' incomes. Apart from the fiscal squeeze, there are strong grass-root political pressures on it to ensure that foreign workers share the "sacrifices" of the people.

However, many now believe that any revised tax regime will not touch benefits, in particular assistance with housing, education and return air fares, and that tax rates will be far more progressive.

The Saudi decision yesterday was welcomed by foreign recruitment agencies. ARA International of London, a leading head-hunter for the Saudi public sector, said it "was relieved that the matter had now been clarified".

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	17	63	Dubrovnik	R	11	52	Malta	[illegible]	14	61	Rhodes	S	17	63
Algiers	S	20	68	Edinburgh	F	1	34	Manchester	S	6	43	Rio de J'o	S	29	84
Amsterdam	R	10	50	Faro	F	15	59	Manila	S	31	88	Rome	F	15	59
Athens	S	14	57	Florence	F	10	50	Melbourne	S	21	70	Salzburg	F	11	52
Bahrain	S	19	66	Frankfurt	C	6	43	Mexico City	S	17	63	San Francisco	R	9	48
Bangkok	S	34	93	Funchal	C	18	64	Miami	F	15	59	Seoul	S	1	34
Barcelona	S	14	57	Geneva	R	6	43	Milan	C	5	41	Singapore	F	30	86
Beirut	R	17	63	Gibraltar	S	17	63	Montreal	C	-1	30	Stockholm	Sn	1	34
Belfast	C	4	39	Glasgow	R	3	37	Moscow	C	1	34	Strasbourg	F	13	55
Belgrade	S	11	52	Guernsey	C	11	52	Munich	F	13	55	Sydney	S	23	73
Berlin	C	8	46	Helsinki	C	3	37	Nairobi	F	27	81	Taipei	C	16	61
Biarritz	S	15	59	H. Kong	S	20	68	Naples	F	15	59	Tangier	S	16	61
Bombay	S	29	84	Innsbruck	S	8	46	Nassau	F	28	82	Tel Aviv	C	17	63
Bordeaux	F	15	59	Inverness	C	0	32	New Delhi	F	16	61	Tenerife	C	20	68
Brussels	R	12	54	Islamabad	R	18	64	New York	S	3	37	Tokyo	C	7	45
Budapest	C	5	41	Istanbul	S	13	55	Nice	S	16	61	Toronto	C	-5	23
B. Aires	S	36	97	Jakarta	C	32	91	Nicosia	C	18	64	Tunis	S	18	64
Cairo	C	17	63	Jersey	C	11	52	Oporto	C	14	57	Valencia	F	15	59
Cape Town	S	24	75	Jo'burg	S	29	84	Oslo	C	2	36	Venice	C	7	45
Caracas	C	26	79	Lima	S	27	81	Paris	F	11	52	Vienna	C	12	54
Casablanca	F	18	64	Lisbon	C	15	59	Peking	S	3	37	Warsaw	C	8	46
Chicago	S	-14	7	London	C	7	45	Prague	C	8	46	Washington	F	1	34
Cologne	F	12	54	Los Angeles	F	15	59	Reykjavik	S	-13	9	Zurich	S	12	54
Copenhagen	F	6	43	Luxembourg	F	10	50								
Corfu	S	17	63	Madrid	F	8	46								
Dallas	C	5	41	Majorca	F	16	61								
Dublin	F	7	45	Malaga	F	16	57								

Readings at mid-day yesterday
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

UK foreign currency reserves double

Continued from Page 1

provides a rough proxy.

The intervention has opened up the possibility of sizeable losses because the vast bulk of the dollar purchases were made when the US currency was much stronger than at present.

The Bank, which acts as the Treasury's agent in foreign exchange markets, has sought to limit the scale of such losses by switching part of its reserves into stronger currencies like the D-mark. Despite that, the reserves remain overwhelmingly in dollars.

As yet any losses are purely on paper. They would be realised only when the intervention was reversed and the size would depend on the prevailing exchange rate at that time.

The Treasury insists that it is too early to say that such losses are inevitable - were the dollar to rebound strongly above the levels seen at the start of 1987 it could actually make a profit.

It is not possible to estimate precisely any future losses because they will depend crucially on the timing of dollar sales from the reserves, as well as the extent to which the Bank has diversified into other currencies. In theory, the Bank could hold its dollar assets indefinitely.

The scale of possible losses, however, can be judged from the rates at which the Bank bought dollars last year. About half the purchases were made at rates averaging about $1.65. If that intervention were to be reversed at current exchange rates the loss would be in excess of $1bn or £550m.

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Wednesday January 6 1988

Sears raises 'final' offer for Freemans to £477m

BY NIKKI TAIT IN LONDON

SEARS, the British retail to footwear group which includes Selfridges, yesterday made a surprise move on its bid target, UK mail order company Freemans, by increasing its cash offer and declaring the new terms final.

The company's brokers, Kleinwort Grieveson, immediately went into the market and are believed to have added approximately 4 per cent to Sears' existing 10.1 per cent holding in its target.

However, the revised terms, which value Freemans at £477m ($891m) against £430m previously, were immediately rejected by the mail order group's board. "This in no way alters the board's conviction that the long-term interests of shareholders will best be served by staying with Freemans," said Freemans.

Sears' decision to raise its offer came on the bid's first closing date – just three weeks after the offer document was posted – and ahead of the promised profit forecast from Freemans for the year ending on January 31. Sears has also set a final closing date of January 22.

"The question of getting the business moving was more important than waiting to see their forecast," argued Mr Michael Pickard, Sears' deputy chief executive yesterday. The company argues that it could use its own retailing experience both to enlarge and strengthen Freeman's catalogue business and to boost sales of its own products. Sears has been stalking Freemans, with varying degrees of force, for the past 18 years.

The shortened bid period was also welcomed by Freemans yesterday: "I'm rather delighted they brought it forward," said Mr Ralph Aldred, the company's managing director. Freemans continues to argue that the Sears offer is opportunistic and that the increased terms do no more than reflect the improvement in the stockmarket generally since the bid was announced. Mr Aldred added that the company still expects to put out its profit forecast shortly.

Some speculation has centred on a possible "white knight" for Freemans. However, Mr Aldred commented yesterday that the company was not, and would not be, seeking one. "It is in shareholders interest that we stay independent – it's a straight fight."

The new terms are 315p in cash for every Freemans share, with a loan note alternative, against 285p previously. Yesterday shares in Freemans jumped 13p to 311p. Sears was steady at 131p.

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Hoesch unit to control core of troubled PHB Weserhuette

BY DAVID MARSH IN DORTMUND

ORENSTEIN UND Koppel (O and K), the construction machinery subsidiary of the West German Hoesch steel group, has agreed to take over key parts of PHB Weserhuette (PWH), the materials handling group which filed for bankruptcy last week.

Mr Karl Heinz Siepe, O and K chairman, said the deal would give the subsidiary the most complete range of equipment of any international company in the earth-moving, mining and material handling business.

The takeover of elements of PWH follows the jettisoning of the company last October by the Otto Wolff engineering group, its former owner.

PWH, which is expected to have incurred losses of DM170m ($108.2m) last year, filed for bankruptcy after efforts to reach agreement with creditors both in and outside the courts failed.

O and K declined to say what payment it would be making to the receiver in charge of PWH for the assets and knowhow it is acquiring. These centre on PWH's core sectors of material handling, transport and processing, and mining and filtration technologies.

O and K will maintain 650 jobs plus 80 apprenticeships at Rohrbach and will offer 200 other PWH employees jobs throughout the group. Counting the 180 jobs which could be maintained at the Rohrbach steel foundry, this means that more than half the 2,000 domestic employees of PWH could keep their jobs under the accord.

Along with an order book worth about DM200m, O and K is taking over PWH's factory at Rohrbach in the Saarland and has an option to acquire the steel foundry there by mid-February. It is also taking over PWH's subsidiaries in Canada, South Africa and Britain.

Mr Siepe said the acquisition would add about DM400m to O and K's turnover by 1989-90, taking sales to between DM2bn and DM2.2bn.

O and K has been interested in the PWH activities for more than a decade and in 1983 bought 48.6 per cent of the group from Otto Wolff before later selling it back at a small profit.

Turnover in 1986 was DM1.7bn, of which about 50 per cent represented foreign business. Last year's sales fell from the 1986 level

Mr Siepe said O and K would finance the takeover from its own liquidity and would not need an injection from Hoesch. Taking into account the value of the assets and the risks entailed – for instance on orders which could turn out to be loss-making – O and K might make a profit on the deal, he said.

Chris Sherwell in Sydney reports on further realignment in the Australian wine industry

Reckitt sells wine unit in rationalisation move

RECKITT AND COLMAN, the British pharmaceutical and household products group, has agreed to sell its well-known Australian wine operation to local management, which is set to receive financial backing from the South Australian state government.

The parties to the transaction yesterday refused to disclose the sum involved, but the figure is thought to be between A$50m-A$60m (US$36m-US$43m). The South Australian government is planning to put up a guarantee for an unspecified part of the purchase price because, it says, "of the significance of the company's control being returned to South Australia."

The sale disposes of one of Reckitt's last sizeable non-core businesses and is part of the group's rationalisation programme. It follows a 1986 move to buy out minority shareholders in the Australian subsidiary.

The group's wine operation, called G. Gramp and Son, trades under its popular brand name of Orlando Wines and was originally bought in 1970. With annual sales of more than A$100m, it is one of Australia's "big four" wine companies, along with Penfolds, Lindemans and Hardy's.

The sale is significant domestically because it returns Orlando to South Australian control. As Penfolds and Hardy's are also South Australian companies, it underscores the state's importance as a wine producer.

Hardy's recently became a major producer by buying the big Stanley Leasingham wine business from Heinz of the US.

Penfolds, the largest producer, is controlled by the Adelaide Steamship conglomerate.

Lindemans, on the other hand, remains in foreign hands, being owned by Philip Morris, the US tobacco company.

In recent years the Labor party State government, headed by Premier John Bannon, has expended considerable effort trying to reverse a trend in which control of local enterprises has been lost to other states or to foreign companies.

The management buy-out of Orlando – thought to be one of the largest undertaken in Australia – is led by Mr Chris Roberts, hitherto managing director of the Reckitt division in Australia responsible for household and food products. He becomes Orlando's managing director, while Mr Gunter Prass, his predecessor, will remain as chairman.

The company was founded in 1847, making it one of Australia's oldest as well as largest wine companies. Its main production centre is in the Barossa Valley, one of the main grape-growing areas near Adelaide. Last year it celebrated the 150th anniversary of the arrival in Australia of its founder, a German immigrant from North Bavaria.

Accounting change hits CSX result

By James Buchan in New York

CSX, the large US railway holding company with interests in gas transmission and container shipping, has reported net income in the 1987 fourth quarter of $129m or 82 cents a share against $132m or 86 cents a share in the 1986 December quarter.

The Richmond, Virginia, group, which was formed from the merger of two regional railways in 1980, said revenues rose from $2bn to $2.13bn in the fourth quarter.

Rail traffic was ahead, with merchandise and container shipping up 7 per cent and coal traffic up 10 per cent. However, energy revenues declined.

CSX's results were affected by a change in its accounting for income taxes, which increased net income by $47m, or 30 cents a share, in the December quarter. The accounting change restated CSX's liability for deferred taxes by $294m for the year, reducing 1987 earnings to $138m or 88 cents a share.

Earnings for 1987 before the accounting change were $432m or $2.78 a share, against $418m or $2.73 a share in 1986, on revenues of $6.7bn against $5.75bn.

E-II bid rumours lift shares

BY ANATOLE KALETSKY IN NEW YORK

THE SHARES of American Brands, the major US tobacco, drinks and food concern, and of E-II Holdings rose again yesterday as speculation mounted about a takeover bid for American Brands.

The company, with a market valuation of about $5.5bn, has been regarded for some time as a prime candidate for the deal-making skills of Mr Donald Kelly, the chairman of E-II. E-II was created last year out of the rump of the Beatrice Foods empire which Mr Kelly had taken over and profitably dismembered.

Mr Kelly had told his shareholders repeatedly that he was planning an acquisition in the $5bn to $6bn range and late last year disclosed that E-II had bought around 4.6 per cent of American Brands.

Mr Kelly stepped up the pressure on Monday, announcing that E-II intended to nominate six new directors to the American Brands board and threatening a proxy fight at the company's annual general meeting on May 4.

American Brands responded rapidly by saying that its directors had agreed to a meeting with Mr Kelly next week to discuss the "enhancement of shareholder values."

American Brands is a diversified conglomerate which grew from the American Tobacco trust founded 120 years ago by Washington Duke, the legendary 19th century robber baron.

In addition to its US cigarette brands, including Lucky Strike and Pall Mall, the company owns Gallaher of the UK.

American Brands also has major presences in the liquor business, financial services, office products, processed foods and hardware and security.

Yesterday morning American Brands' shares rose $⅝ to $49¼, after a jump of $4 on Monday.

Bear Stearns buys stock specialist

BY JANET BUSH IN NEW YORK

BEAR STEARNS, the New York-based investment banking and brokerage house, has bought the specialist operations on the New York Stock Exchange of Asiel & Co.

Bear Stearns itself has operated as a specialist (market maker) on the floor of the exchange since 1970 and has a joint venture with two other specialist operations – Briar Securities and EMCo.

The acquisition announced this week adds another 12 stocks to the group's listings to bring the total number of stocks for which Bear Stearns acts as primary dealer to 47.

Mr Alan Greenberg, Bear Stearns' chairman, said the decision to expand the company's specialist operations reflected "confidence in the strength and potential of the securities business."

In response to the collapse in share prices on October 19, the NYSE waived various restrictions on outside ownership of specialists, many of which sustained heavy losses. Drexel Burnham Lambert and Merrill Lynch both bought specialist firms, moves which reflected the need for extra injections of capital into specialist operations given the extraordinary volatility experienced last October.

Since last October 19, Bear Stearns has bought 34 listings of stock on the American Stock Exchange from fellow-specialist W.M. Damm & Frank Co and 14 from Michael Kory.

Rio Algom to buy tin mine assets

By Robert Gibbens in Montreal

RIO ALGOM, the Canadian uranium, copper and stainless steel group, plans to buy the assets of North America's first primary tin mine in Nova Scotia from the banking group which financed the project and assumed control late in 1985.

Rio Algom, which is controlled by Rio Tinto-Zinc of the UK, brought the East Kemptville tin mine into production in October 1985 just as trading in the metal was suspended on the London Metal Exchange and prices dropped drastically. Rio Algom was then owner of the mining operation.

The mine has continued to operate near annual capacity of 4,400 tonnes in concentrate and the material has been shipped for refining on a custom basis in England.

The international banking group, led by Bank of America, which provided the original financing package, assumed control because the operation could not meet interest costs on about C$150m of debt.

In 1986 Rio Algom made an after-tax writedown of C$20m to cover its direct investment in the mine.

Stephen Fidler on the optimism of the American Stock Exchange

Amex sees its chance after crash

OCTOBER WAS a lousy month for Joel Lovett and George Reichhelm – as for most of their kind.

As members of the specialist firms on the floor of the American Stock Exchange, both made "an affirmative obligation to stabilise and make a continuous market" in specific shares. In the week of October 19, that meant buying everything that was thrown at them in an environment when there was nobody to buy from them.

Like the New York Stock Exchange, the Amex is based on a central market floor, with specialist firms which have a commitment to make a market in certain issues. Two dozen such firms make markets in more than 900 stocks and in options.

The specialists on the Amex, which developed after New York's curb exchange moved indoors in 1921, were burned badly in the crash. While their counterparts on the NYSE were losing $750m in one week, losses of the Amex specialists were also huge.

It will take the specialist firms years to recoup those losses, if they ever do, but the exchange is hoping that at least it can win some benefit from the commitment the specialists showed on the week of Black Monday. That is why exchange officials and Messrs Lovett and Reichhelm were in London yesterday to suggest that the Amex, rather than the Nasdaq electronic market, was the place for UK companies to list their shares in the US.

Mr Lovett is president of Jacee Securities, a partnership which makes markets in 56 stocks and 11 options, while Mr Reichhelm's firm, Drexel Burnham Lambert American Specialists, is responsible for 40 stocks and 10 options.

They admit that the specialist system did not perform perfectly, but they claim greater success than the competing over-the-counter markets, including Nasdaq and its National Market System. At least two specialist firms fell by the wayside in the market debacle, their bankers taking over quietly one morning, and the two men make no secret of the losses they suffered.

Order imbalance

The criticism of the two specialist-based markets has centred on the number of shares which were for appreciable times untraded – up to 90 on the NYSE and half-a-dozen on the Amex.

Mr Lovett's firm was charged with making a market in shares of the Washington Post, a $190 stock that threatened to open 50 to 100 points down. The decision, taken in conjunction with the company and the exchange, was not to open trading in shares because of an imbalance of orders and it remained closed for a trading day. When it eventually reopened, the price drop was $10 to $12.

On the other hand, critics have cited a lack of commitment among the dealers on the over-the-counter markets. There, it is claimed, many dealers just stopped trading – whereas in London there is a system of competing market makers. Nasdaq has already taken steps to try to correct this.

Mr Ivers Riley, Amex senior executive vice-president, said that institutional investors had complained to companies with OTC listings about their inability to move out of over-the-counter stocks during the crash. By contrast, while they may not have liked the price, sellers were only exceptionally unable to execute on the centralised exchanges.

This institutional pressure, the officials say, has meant more companies are now considering moving listings away from Nasdaq. Despite the drying up of new issue listings since the crash, some 16 companies switched from the over-the-counter markets to the Amex. A further 10 are expected to switch in January.

The increasing domination of the US stock markets by institutional investors – a development not applauded by those such as Mr Reichhelm who believe this was partly to blame for the scale of the October collapse – has made the need for recapitalisation among the specialist firms particularly urgent.

Strong commitment

This task will probably be encouraged by more liaisons such as that between Mr Reichhelm's firm and Drexel.

Nevertheless, the commitment to the specialist system and a centralised market where buyers and sellers have face-to-face contact is clearly as strong than ever.

Trading volumes and share listings have grown in recent years on the Amex, but it has lost market share in the US, squeezed by the Big Board on the one side and the fast-growing Nasdaq market on the other.

The hope at the Amex is that it can make up some of the ground it has lost to Nasdaq now that there is, in some quarters, a perception of poor liquidity on the over-the-counter markets and the expectation of more market volatility to come.

UBS holds Swiss franc bookrunning lead

BY OUR EUROMARKETS STAFF

UNION BANK of Switzerland held on to its place as number one bookrunner in the Swiss franc foreign bond market in 1987 despite intensifying competition from Credit Suisse, according to bookrunning rankings compiled by Euromoney.

Credit Suisse ran the books on 94 issues, 17 more than Union Bank of Switzerland, but adding up to only SFr8.49bn, or 24.58 per cent of the total, against UBS's SFr8.97bn, or 25.95 per cent of the market.

But the gap between the two banks narrowed markedly during the year. In 1986, Credit Suisse's 82 issues totalling SFr9.14bn represented only 21.87 per cent of the market against Union Bank of Switzerland's SFr10.75bn from 90 issues, giving a 25.72 per cent share.

Credit Suisse has made a drive to boost its profile in the market, especially since Mr Hans-Joerg Rudloff, deputy chairman of Credit Suisse First Boston, took over as general manager in Zurich early last year.

The total volume of new issues was SFr34.56bn, about SFr7.2bn lower than in 1986, partly because of a dearth of equity-linked bonds since the October stock market crash. According to Euromoney, nine equity-linked issues for Japanese borrowers which were due for launch in December were cancelled.

Union Bank of Switzerland, Credit Suisse, and Swiss Bank Corporation – which jointly run the main bond issuing syndicate – reasserted their domination of the market. Their joint market share increased from 67.68 per cent in 1986 to 71.36 per cent, after having fallen in previous years.

In contrast, their two main foreign-owned competitors, S.G. Warburg Soditic and Banque Paribas (Suisse), saw their market share drop slightly. Indeed, aside from the big three, of the top 10 bookrunners only Citicorp Bank (Switzerland) and Kredietbank (Suisse) gained market share.

But Credit Suisse also spearheaded changes to create more flexibility in the main syndicate's rigid issuing rules during the year. Among a package of reforms announced in November, it was agreed that syndicate members would be allowed to turn down participations in public deals led by other members.

TOP 10 SWISS FRANC FOREIGN BOND LEAD MANAGERS

Manager	SFrbn Amount	Rank	Market share %	No. of issues
Union Bank of Switzerland	8.969	1	25.95	77
Credit Suisse	8.493	2	24.58	94
Swiss Bank Corporation	7.200	3	20.83	70
S.G. Warburg Soditic	1.637	4	4.74	21
Banque Paribas (Suisse)	0.811	5	2.35	11
Wirtschafts-und Privatbank	0.744	6	2.15	9
Citicorp Bank (Switzerland)	0.700	7	2.03	8
Handelsbank NatWest	0.695	8	2.01	12
Swiss Volksbank	0.620	9	1.79	8
Kredietbank (Suisse)	0.540	10	1.56	9

Source: Euromoney Swissware

CFTC ends probe into October MMI deals

By Deborah Hargreaves in Chicago

THE Commodity Futures Trading Commission, the US regulatory agency, has found no evidence of manipulation in the Chicago Board of Trade's Major Market Index futures contract the day after the October 19 stock market crash.

The CFTC made a close review of trading in the stock index contract, following allegations it had been manipulated to lead a market rally on October 20 at a time when Chicago's two other stock index contracts were closed.

From 11am to 12.30pm (Chicago time), the MMI – based on the American Stock Exchange's index of 20 blue-chip stocks – led an 80-point rally that stopped the markets' free-fall after Black Monday's 508-point drop in the Dow Jones Industrial Average. Several press reports had alleged the rally was due to manipulation of the thinly-traded contract, although this was strongly denied by the CBOT.

The CFTC said it had spoken to the few traders active in the MMI pit and found nothing that appeared to constitute manipulation. Trading was dispersed among small transactions, which is typical for MMI trading, the agency said.

The MMI is not a high volume contract and rarely trades above 20,000 lots a day. The contract's volume rose to surpass 30,000 lots in the run-up to the crash and on the morning of October 20 it was the only stock index contract still trading as the Chicago Mercantile Exchange and Chicago Board Options Exchange closed their contracts for an hour in anticipation of a shutdown in New York.

The CFTC says it is continuing to study the operation of the futures market during the crash. The agency said a report commissioned by the New York Stock Exchange from Mr Nicholas Katzenbach, former Attorney General, offers no new information on the markets on or since October 19.

The agency agrees with Mr Katzenbach on the fundamental differences between the markets and that their interaction deserves further examination. The CFTC says it is doing this by looking at intraday trading on the futures markets during the crash.

An official for the agency stresses the Katzenbach report is "fraught with considerable errors" and provides no logical links from the discussion to the conclusions it makes.

Mitsubishi Trust in talks with WestLB

By Haig Simonian in Frankfurt

WESTDEUTSCHE Landesbank (WestLB), West Germany's third biggest bank, which is based in Duesseldorf, is in talks with Mitsubishi Trust and Banking of Japan to set up a joint venture bank in Germany.

The new institution, in which the two banks would be equal shareholders, will probably be based in Frankfurt and concentrate on the investment banking and securities business. However, the bank would also be involved in some commercial banking activities, said Mr Michael Wilde, a WestLB official.

WestLB would not disclose any precise details of the plan, which were made public in the Japanese press earlier this week. The negotiations with Mitsubishi Trust and Banking were not yet finalised, and the reported opening date of late March this year was undoubtedly premature, said Mr Wilde.

The venture, which would have a basic capital of DM20m ($12.6m) according to the Japanese reports, would have obvious advantages for Mitsubishi Trust and Banking, which is not represented in Germany.

Japanese trust banks, which have vast yen-denominated funds under management, have been diversifying their portfolios in recent years. Setting up a joint venture would allow Mitsubishi Trust and Banking to deal in the German securities market without going through intermediaries, as at present.

Moreover, Japanese investment banks are expected to play an increasing role in German securities after finally gaining permission last October to lead-manage D-Mark Eurobonds. At the moment there are only six Japanese investment banks in Frankfurt, though a substantial number of other institutions are said to be keen to set up in business.

A cocktail of deals in a variety of currencies

BY CLARE PEARSON

EUROBOND new issue managers yesterday reopened the market with a flourish, serving up a cocktail of deals in a variety of currencies.

Toyota Motor Credit Corporation became the first Eurobond market borrower of 1988 with a £75m five-year deal led by Union Bank of Switzerland (Securities). The issue met a mixed response: some dealers felt it was too aggressively priced, though others said it was sure to find demand from Continental retail investors.

The lead manager admitted that all the UK merchant banks had turned down co-management positions in the deal. These houses were believed to think the 9½ per cent bond's yield spread of 15 basis points over the comparable gilt was up to 20 basis points too tight.

But although the issue was expected to have little appeal at this level to UK investors, UBS (Securities) said it was finding demand from Swiss, French, and other Continental buyers, who have been starved of new Eurosterling bonds in recent weeks. The deal was quoted at less 1⅞ bid to its 101 issue price, the level of its total fees.

Seasoned Eurosterling bond prices eased along with the gilt market. This was disappointed by a larger than expected UK December official reserves figure, which raised fears of increased government bond sales to neutralise the impact of intervention on UK money supply.

Deutsche Bank Capital Markets was busy revitalising the Ecu sector with two five-year deals, each worth Ecu100m, for **Deutsche Bank Finance** and **BP Capital**, a subsidiary of British Petroleum.

These bonds were intended to attract European retail investors looking for a yield pick-up over levels available on seasoned Ecu bonds at the moment.

INTERNATIONAL BONDS

Deutsche Bank said recent buying of Ecu bonds by Japanese investors, as part of their diversification out of dollar bonds, had pushed yields on secondary market issues down to levels where they were too expensive for the Europeans.

Deutsche Bank Finance's issue, with a 7⅜ per cent coupon and 101¼ issue price, was quoted early on just inside 1⅞ per cent total fees at less 1.70 bid, although it later weakened with the market to close at less 1¾.

BP Capital's bond, priced at 101 with a 7¼ per cent coupon, came too late in the day to trade actively. But dealers said its pricing looked slightly too tight compared with Deutsche Bank's deal, so the bond might prove more difficult to place.

Both borrowers are swapping proceeds into dollars at rates below London interbank offered rate.

LTCB International's two issues for **Compagnie Bancaire**, the French financial services group, totalling Y20bn, were largely pre-placed. These were a Y10bn five-year 5¼ per cent issue, priced at 101⅝, and a seven-year bond paying 55 basis points below Japanese long-term prime rate and priced at 100¼.

Eurodollar bond prices outperformed the rise in the US Treasury bond market, which was spurred by continued firmness in the US currency. Eurodollar bonds rose by up to ¾ points among longer maturities, though in professional activity. Retail investors remain on the sidelines.

Domestic D-Mark bond prices fell sharply in response to the firmer dollar, but later recovered slightly as bargain hunters emerged. Prices finished up to ½ point lower.

Meanwhile, dealers were surprised to find D-Mark Eurobonds in good demand, with prices ending the day about ¼ point better.

In Switzerland, bonds were largely neglected as shares rallied, but dealers said the foreign bond market maintained a firm undertone.

Denmark moves towards paperless share market

BY HILARY BARNES IN COPENHAGEN

DENMARK WILL take the first steps towards a paperless market in equities at the end of this month when share certificates in 10 listed companies will be abolished and will instead become electronic entries at the Vaerdipapircentralen (VPC) securities registration centre.

All payments of dividends and new issues will in future take place through the VPC.

Danish bonds went paperless in 1983. If all goes according to plan, shares in all companies listed on the Copenhagen stock exchange will become electronic entries in the spring.

In April, the introduction of electronic trading in equities is due to take place.

Copenhagen's electronic trading system for bonds was inaugurated last autumn, not with a "big bang" but with what Mr Christen Sorensen, chairman of the stock exchange council, called a "small, controlled pop."

Denmark was the first country to introduce a complete electronic registration system for securities. The system was sold to Norway in 1985 and several other countries have since copied it.

VNU upgrades forecast

By Laura Raun in Amsterdam

VNU, THE Netherlands' largest publishing company, said yesterday that its 1987 profit would jump 20 per cent, instead of the previously forecast 13 per cent, because of better than expected business across the board.

Mr J.L. Brentjens, chairman of the board, also predicted that earnings – even on a per share basis – would continue to climb.

His forecast apparently assumes that VNU will succeed in its friendly takeover of Audet, a smaller Dutch publisher. Last week VNU announced a stock and cash offer for Audet. Details will be announced tomorrow.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on January 5

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey National 7½ 92	200	93¼	93¾	+0⅛	−0¼	9.46
All Nippon Air 9⅝ 97	100	94⅝	95	+0¼	+1¼	10.27
American Brands 8⅝ 92	150	96⅞	97⅜	−0¼	−0½	9.66
A/S Eksportfinans 7⅞ 93	100	†92	92½	+0¼	+0⅝	9.38
[illegible]						

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Belgium 4⅝ 94	45	97¼	98¼	0	+0¼	4.99
E.I.B 4⅝ 94	40	98⅞	98½	+0⅛	+0⅝	4.95
Elec De France 5⅜ 94	20	100⅞	101⅜	+0¼	+1	4.91
Kansai Electric 4⅝ 94	60	96¾	97⅛	+0¼	+0⅝	5.19
[illegible]						

[illegible]

Islamic investment tests Egypt's regulatory capabilities

"BE SURE, my brother, to put your savings in the hand of a Moslem brother."

Hassan al Banna, founder of the Moslem Brotherhood, understood the political power of money, but he could not have imagined that 40 years after his assassination in 1949 the Islamic movement in Egypt would have constructed a virtual financial state within a state.

Egypt's Islamic monetary colossus is challenging the regulatory capabilities of the Government. The central bank and Ministry of Economy are being blamed by mainstream bankers for allowing unofficial deposit takers operating under the guise of Islam to become so big that they have been able to defy lukewarm attempts to bring them under control.

A worry for the Government is that little is known about the liabilities of these companies dealing in billions of dollars of depositors' funds. "We know only about their declared assets," says Dr Mohieddin el Ghareeb, deputy head of the country's Investment Authority. "They have a lot of liabilities we don't know anything about."

The growth in the past two years of Islamic investment companies — which make much of the fact that they are run according to strict religious principles such as the ban on paying interest — is phenomenal. The Government realises that it is too late to eliminate these institutions and must now accommodate them.

The International Monetary Fund has been urging Egypt to bring Islamic investment houses under control. Dr Shaalan Shakhour, the IMF regional director, said recently that Islamic companies had grown like mushrooms, and it was a shame that there was no law in the Egyptian economic system which governs or rules these companies' activities.

The strengthening religious trend in Egypt is creating its own structures that are threatening eventually to subsume established institutions. An indication of the power of Islamic investment houses was the fact that the government was obliged last May to delay IMF-sponsored reforms of the currency market for 24 hours while it consulted unofficial money traders, some of whom are heads of Islamic companies.

The Government's reluctance to proceed without the co-operation of Islamic financiers was a recognition that financial barons like Mr Fathy Tewfik, head of Al Rayan Investments — the biggest and most controversial of the new breed of deposit-takers — had the power to make or break attempts at currency reform.

The authorities are preparing a new law to regulate the activities of the perhaps as many as 300 Islamic investment houses with depositors numbering between 2m and 3m Egyptians at home and abroad. The Government is said to be anxious to stop the further spread of these companies, reckoning with justification that there are now more than enough to satisfy demand.

Al Rayan heads a Big Four among the Islamic deposit-takers which dwarf all but the largest banks in Egypt. It has some 150,000 depositors. Al Sharif, a plastics maker which has long been in the finance business, has 125,000 depositors and stopped taking deposits more than a year ago because, in the words of Mr Abdel Latif Sharif, the head of the company, it had "sufficient" funds. The other two sector leaders are Al Saad and Al Hoda Misr.

The Islamic investment companies maintain informal links with each other. They are known to consult and co-operate on issues affecting them such as government plans to regulate the industry. It is widely assumed by bankers that brother investment houses in November 1986 helped Al Rayan meet a run on deposits after alleged losses on gold trading.

Those in charge of these companies disavow political ambitions, but there is no doubt that they want to be accepted as part of the mainstream financial sector. Mr Tareq Abu Hussein, head of Al Hoda Misr, says: "The problem we have is that there is no link between these companies and the Government."

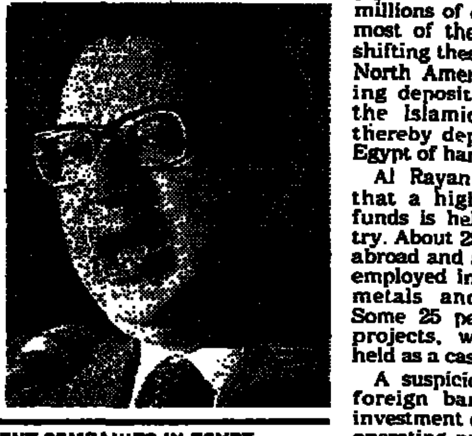
A constraint on the authorities is a fear that a false step could result in the collapse of an Islamic deposit-taker with disastrous consequences for the whole financial sector.

Such are the sums of money involved — between US$4bn and $8bn in deposits according to some estimates — that these institutions are able to influence strongly, if not dictate, the timing and substance of the new regulations.

Mainstream bankers are sceptical of the ability of Islamic institutions to continue high rates of return of, in some cases, 24 per cent on Egyptian pound and US dollar deposits. This return, when Egyptian banks themselves have been paying 13 per cent on local currency accounts, is the secret behind the success of unofficial Islamic banks.

But there is a sense throughout the Egyptian financial community that the party may be coming to an end. Islamic institutions are being forced to reduce their "dividends." In the uncertain business climate that prevails, they are likely to find it increasingly difficult to maintain high yields on deposits.

Defenders of Islamic investment houses — prominent among which is Abdel Razak Abdel Meguid (right), who was Egypt's economic chief under the late President Anwar Sadat — say that they should be encouraged. The International Monetary Fund, however, has been urging the country to bring them under control, Tony Walker reports from Cairo



LEADING ISLAMIC INVESTMENT COMPANIES IN EGYPT

	Depositors	Funds held	Dividend
Al Rayan	150,000+	E£2bn	24.0%
Al Sharif	125,000	E£1bn	19.8%
Al Hoda Misr	50,000+	E£800m	21.3%
Al Saad	50,000	E£500m	24.0%

These institutions are at present transforming themselves from currency speculators and commodity traders into local conglomerates, investing in a range of industries and services. They are trying rapidly to construct a respectable base as managers of enterprises that are contributing tangible benefits to the Egyptian economy.

Mr Nooman Gomaa, legal adviser to Al Rayan, says Islamic investment houses will be forced under a new law to form companies and offer shares to the public. Depositors' funds will gradually be converted to equity as a means of providing some protection for investors.

The new companies will be obliged to publish annual balance sheets, deposit cash with the central bank, and pay taxes. Al Rayan is likely to be asked to repatriate funds lodged abroad and invest them locally.

The Government is concerned that the Islamic sector has simply been collecting the savings of millions of expatriate Egyptians, most of them in the Gulf, and shifting these funds to Europe or North America on interest-bearing deposit — notwithstanding the Islamic ban on usury — thereby depriving cash-starved Egypt of hard currency.

Al Rayan confirmed recently that a high proportion of its funds is held outside the country. About 25 per cent is invested abroad and a further 35 per cent employed in dealing in precious metals and general trading. Some 25 per cent is lodged in projects, with the remainder held as a cash reserve.

A suspicion among local and foreign bankers is that some investment companies have been operating pyramid schemes — in other words, they have been paying dividends from the funds of new depositors, and that inevitably one of these institutions will come crashing down bringing others with it.

But the heads of the main deposit takers insist that their activities are sound, that depositors' funds are secure, and that criticism from the mainstream banking sector is motivated by jealousy. There is no question that Islamic investment houses have drawn funds away from banks.

Mr Mohammed Hafez, general manager of Banque Misr, one of the big four public sector banks, says it is important that Islamic institutions be required to publish balance sheets so they can be judged professionally. "In order to pay 24 per cent I must be getting total earnings of 60 per cent," he says. "I would like to know what type of industry can generate 60 per cent. The only explanation is that I'm either paying out of principal or I'm dealing in the black market."

One of the factors that has enabled Islamic deposit takers to pay high dividends under the "profit and loss" contracts they make with their clients is that the Egyptian pound in the past two years has depreciated by an average of 30 per cent annually against foreign currencies. This provided a bonanza for currency speculators in a huge unofficial market in which sums of between $2bn and $4bn were being traded each year.

But, for the moment, the local currency has stabilised. Deposit-takers have in effect been forced to involve themselves in more productive businesses, taking over ailing companies and undertaking property projects.

Al Saad, for example, has launched house purchase packages which include an apartment, car, oven, heater, refrigerator and blender. The company recently took a 75 per cent stake in the local Zanussi refrigerator factory.

It is also said to have cornered the local market in small Fiat cars, buying up most of the available stock. These cars have appreciated by as much as 50 per cent in the past six months, partly because of shortages.

Defenders of Islamic investment houses — prominent among which is is Abdel Razak Abdel Meguid, Egypt's economic chief under the late President Anwar Sadat — say they should be encouraged because they are helping to unlock the savings of small investors who have tended to distrust the banks. Dr Meguid promoted the idea last year of Al Rayan taking a share of the ailing Misr American International Bank in which Bank of America has a 49 per cent stake.

The Government blocked this application, but Islamic investment companies are nevertheless becoming involved in the banking sector. Al Sharif has a 25 per cent interest in Islamic Bank and plans to increase this to 30 per cent.

Egypt's Islamic investment sector, in the view of local bankers and businessmen, is entering a testing new phase. Not least of the difficulties the heads of these enterprises face is having to make the transition from speculators and traders to managers of enterprises.

There is, according to mainstream bankers who are having to grapple with many problem loans in local industries that have failed, much scope for mishap. "I would say these are clever people," observed one prominent Egyptian banker, "but I would not say they are sophisticated."

Pernod-Ricard may cut Coca-Cola trade ties

BY GEORGE GRAHAM IN PARIS

PERNOD-RICARD, the French drinks company, has fallen out with Coca-Cola and may break off its production and distribution agreement with the US soft drinks group.

The two companies have disagreed over how much to invest in developing Coca-Cola and its other brands — Fanta, Sprite and Finley tonic water — in France, and have begun "serious negotiations" which could end in a parting of ways.

At the same time Pernod-Ricard revealed plans to buy back 5 per cent of its own capital.

Pernod-Ricard is the licensee for most of France for Coca-Cola, which claims an 80 per cent share of the French cola market.

The Coca-Cola brands accounted for FFr1.43bn ($266.8m) of Pernod-Ricard's sales in 1987, around 10 per cent of the French company's total turnover.

Pernod-Ricard said yesterday that it felt volume development for the Coca-Cola brands was already satisfactory.

In Paris, however, some stock market analysts were unhappy about the move. Pernod has emphasised non-alcoholic drinks as the main line for diversification away from its traditional range of alcoholic aperitifs.

The Coca-Cola loss would leave Pernod concentrated mainly on its Orangina label, which it bought in 1984 and is trying to develop in export markets.

"Pernod-Ricard on its own has not been able to achieve anything much in non-alcoholic drinks, buying Orangina and taking a licence for Coca-Cola. If one whole arm of their diversification goes, and they can find nothing better to do with their money than buy-back their own shares, you have to wonder what their growth prospects are," said one Paris equity analyst.

Financing gives banks "too much power"

Dee Corporation, grocery group, yesterday launched an all-out attack on the financing of Barker & Dobson's £2bn cash and shares offer, writes Nikki Tait.

In particular, Dee strongly criticised the degree of control it believed a seven-strong banking syndicate, which is providing up to £1.6bn of loans, would have over the merged group.

The attack comes in a letter to Barker & Dobson's shareholders, listing questions it thinks should be put to the board. Shareholders will be asked to approve the bid next Wednesday.

In reply, Barker & Dobson sent out two statements last night rejecting Dee's "sad defence document", posted on Monday, and the financing allegations.

Much of Dee's latest criticism concentrates on the various financial ratios which B&D has undertaken to meet as part of its loan agreement with the banks. Special attention is directed at the agreed gearing ratios for the merged group, with Dee's auditors, Grant Thornton, maintaining that Barker & Dobson would be in breach of this specific covenant as soon as the loan was drawn down.

The accountants' conclusion is based on Dee's own unaudited internal management data, Dee's published accounts, and information from B&D's offer document. The calculation assumes that the offer is accepted in full and that draw-down takes place on that date.

"Has B&D miscalculated?" asked Mr Alec Monk, Dee's chairman yesterday. "And if so, have they got an offer?"

The Grant Thornton conclusion, however, is firmly rejected by B&D and its advisers.

"Unless Dee has borrowed substantially more than the last accounts showed, we don't believe that the loan agreement would be breached," commented Kleinwort Benson.

B&D added that it was unlikely that there would be 100 per cent acceptances when the offer went unconditional or, therefore, that the full £1.25bn used to finance the cash portion of the bid would be needed at that point.

Elsewhere in its letter, Dee questioned the safety of dividend payments from the merged group. Again, the Dee calculations, which assume a full year's interest on the £1.6bn bank borrowing are criticised by B&D for not taking account of its planned disposals. "Evidently their management moves more slowly than we do," said the predator.

B&D shares added 1p to 150p yesterday, Dee gained 2p to 211p.

Nikki Tait looks at the financing of Barker & Dobson's bid for Dee Corporation

The level of commitment for a £1.6bn loan

WHAT PRICE £1.6bn of bank finance? That is the sum which Barker & Dobson is borrowing to finance its £2bn bid for grocery group, Dee Corporation – £1.25bn to fund the cash element of the actual offer and £350m to supply additional working capital.

Bank funding on this scale (plus the degree of subsequent leverage which Barker & Dobson would adopt) has not been seen on the UK bid scene for two years. Not surprisingly, then, the financing has come under strong attack from Dee: first, the defending company has criticised the costs involved and secondly, it has lammed into the degree of control which the lending banks would have over the subsequent merged company.

"The banks would have a stranglehold on the company," thundered the Dee defence document on Monday, "and if there were a default your shares (in the merged company) could be worthless." Yesterday, Dee gave more detailed warnings about that "stranglehold" in a letter to B&D shareholders.

All strong stuff – but in fact the precise nature of that control, and indeed the costs of finance provision, are spelt out in much drier legalese in Barker & Dobson's loan agreement with the seven banks involved and its listing particulars.

On the cost front, the banks themselves receive a £35m fee if the offer becomes unconditional; Barker & Dobson has already forwarded £4m to lead managers of the banking syndicate. However, all but £1m of that would be repaid if the offer fails. Total costs, if the offer is successful, would be about £68m, with around £17m accounted for by stamp duty and capital duty charges. The total bill in the event of failure is estimated at £2m – still fairly chunky in relation to B&D's £13m profits predicted for 1987 and its last stated net assets of £30m.

But that is scarcely out of line with other minnow/whale bids. Blue Arrow, for example, calculated costs of £55.4m when it made a £1.3bn offer for US employment agency, Manpower, during the summer – a deal which, in the heady bull market, was financed by a £837m rights issue. Certainly the B&D bank fee, at just under 2.2 per cent of the funds supplied, does not compare unfavourably with recent success-related underwriting fees.

Tapping shareholders, however, does not usually involve a company in any specific ongoing commitments. The Barker & Dobson loan agreement with the seven banks certainly does.

The document runs to nearly 100 pages, but the salient points include:

● obligations on B&D to furnish regular financial and commercial information, plus access for Citibank, as syndicate agent, to the company's premises and books;

● a requirement that Dee is taken private within nine months, after which the banks can take whatever charge they may require over the grocery group's assets;

● a clause prohibiting B&D making disposals over £10m without the consent of the banks;

● a series of financial ratios which B&D must meet during the three-year loan term. For example, consolidated total borrowings must not exceed consolidated net worth by a multiple of 2.05 times when the loan starts, reducing to 0.5 times by 1990; consolidated profits must exceed multiples of consolidated total interest by 1.9 times rising to 4 times; consolidated profits must top £195m in the 16 months to April 1989, £160m in the following year and £180m in the next 12 months; capital expenditure cannot exceed £127m in the first 16 months; £95m in the next year, £105m in 1990/91. There are similar restrictions on the levels of total net worth, cash flow to interest, total liabilities to net worth and cash flow relative to the sum of tax, capital expenditure, dividends and total interest.

John Fletcher "Room for manoeuvre"

Alec Monk – stranglehold warning

Kleinwort Benson, B&D's advisers, maintain firmly that such restrictions are not unusual in term loan agreements of this scale – a point which other bankers echo. "It is the precise nature of covenants which is important," comments one rival.

On that score, B&D's advisers also argue that the draft agreement saw only small changes at the hands of the lenders' lawyers, and that the reason for not spelling out the finer details in its offer document was the sheer normality of such conditions. In comparable US circumstances, adds Kleinwort, the banks would probably have demanded a specific disposal programme, rather than simply asking for chunks of the loan to be repaid after specified dates. "This gives us lots of room to manoeuvre," maintains B&D's chief executive, Mr John Fletcher, defiantly.

Shareholders in both companies, however, have relatively little comparative experience to guide them. The only UK bid to adopt this degree of bank finance was the Elders IXL offer for Allied-Lyons back in 1985. In that case, the financing arrangements prompted a Monopolies Commission reference – something Dee is currently lobbying for – but the offer was subsequently cleared. When marketing services group, WPP, bid for the substantially-larger JWT Group last summer, it also used bank loans as part of financing, but that time via a £260m seven-year term loan, with a further £50m working capital facility arranged on a three-year basis. One banker yesterday was prepared to describe the three-year repayment period as "fairly stringent".

Moreover, there is the nature of the two companies' business to consider. Anyone lending on a highly leveraged bid would probably welcome a borrower in the food retailing business – with the inevitable strong cash flow and a degree of recession-proofing. From the borrower's point of view, the same logic holds true.

Certainly, the debate is set to run – and that, in turn, should give shareholders of both companies plenty to ponder ahead of the first close next Monday and the B&D meeting to approve the bid two days later.

BP issues improved £1.3bn forecast

British Petroleum yesterday issued a slightly improved profit forecast for 1987 to take account of the fall in the value of the dollar and slightly lower than expected crude oil prices.

The company said it expected profit after tax and minority interests and before extraordinary items on a replacement cost basis of about £1.3bn for the year ending December 31 1987.

This compares with a previous forecast of £1.25bn.

It said a corresponding profit figure on an historical cost basis would be about £1.35bn, against the previous estimate of £1.45bn. This would result in earnings per share of 24.2p against the previous forecast of 26p.

BP said it was issuing the revised forecast because the Bank of England's offer to buy in its partly paid stock at a guaranteed price of 70p is due to end today.

BP's last profit forecasts were published in the offer document for the Government's recent £7.2bn sale of its 31.5 per cent stake in the company.

The company said the forecasts were based on its unaudited financial statements for the nine months to September 30 1987, and data available during the last three months of the year.

The forecast assumes no change in oil prices which would give significant write-downs of stocks in the 1987 accounts. It also assumes no other events which would warrant post-balance sheet adjustments after the end of the 1987 year.

In 1986, BP's historical cost profit after tax and minority items, but before extraordinary items, was £817m.

The corresponding profit figure on a replacement cost basis was £1.78bn.

Since the Government's share sale, which left most of the stock with the underwriters after the stock market crash, the Kuwait Investment Office (KIO), has been building a stake in BP.

Yesterday, the KIO, a wholly owned subsidiary of the Kuwait government, said that following purchases of partly-paid shares in the market on December 31, it now holds an 18.34 per cent stake in BP.

BP itself has made a £2.27bn bid for Britoil, the largest of the UK independent oil exploring companies, even though the UK government has said it will use its "golden share" in Britoil to prevent a bidder from taking control of Britoil's board.

Hawley gets £210m from Cope Allman ownership transfer

BY CLAY HARRIS

Hawley Group, the international services company, is to transfer the ownership of Cope Allman from one associate company to another in a deal which values the amusement machine, packaging and engineering group at £210m.

Henlys, a listed Canadian company in which Hawley owns 48 per cent, is selling Cope Allman to Quoteplan, a new UK company in which Hawley will have a 49 per cent interest. The sale, announced yesterday, is intended to lead to an eventual re-flotation of Cope Allman.

The transaction comes less than two years after Hawley bought out the majority in Cope Allman International, then a UK listed company, and sold the shares to Henlys in exchange for loan notes.

Henlys already owned 43 per cent of Cope Allman as a result of previous deals with Hawley. The entire £210m proceeds of yesterday's sale will flow straight through to Hawley, to which Henlys owes C$676m (£277m).

The complex series of deals is typical of the methods used by Mr Michael Ashcroft, chairman, over the past decade to build Hawley into an international security, hospital and building services and car auction group with a market capitalisation of £500m.

Hawley yesterday also said it would change its name to ADT, the US security systems operator it bought for $715m (£391m) in 1987. The move will sever another link with the company's UK roots. Hawley has been registered in Bermuda since 1984 and reports in US dollars.

Hawley said the new name would enable it to compete more effectively in the US, where two thirds of its business is now located. Most of the company's world-wide operations will be branded under the ADT name.

Cope Allman, as Quoteplan will be renamed, will be managed by Mr Richard Grogan and Mr David Hoare, former partners with Bain and Company, the US-based management consultants. After leaving Bain, the two men founded Talisman Management International, an investment and management company.

Bankers Trust, the US bank, advised Quoteplan and arranged the finance for the leveraged purchase. Hawley is to subscribe £7.7m in equity and £70m in loan notes for a 49 per cent holding.

Cope Allman achieved pre-tax profits of £20m on sales of £233m in the year to last June 27, when it had net assets of £50.8m. Shearson Lehman, the US bank which handled the sale for Henlys, said there were several contenders in the bidding for Cope Allman, both before and after the October crash.

Henlys is left with four businesses. These are Henlys, the UK motor dealer which the Canadian group, then called Midepsa, took over in 1984; the Kean & Scott home improvements company which includes Kitchens Direct, Moben Kitchens, Dolphin showers and Alpine double glazing; the Insight travel company; and Spring Grove workwear rental.

Apart from the motor dealer, all were bought from Hawley at the end of 1986, as were a number of listed investments, including a stake in waste disposal operator Attwoods which has since gone back to Hawley.

Henlys is considering other divestments, but the sale of Cope Allman has relieved the immediate pressure of its high borrowings.

See Lex.

Assoc. Energy improves

BY HEATHER FARMBROUGH

PROFITS OF Associated Energy Services, boiler maintenance contractor, recovered from £5,882 to £103,295 pre-tax for the year to September 30 after profitable performances by each of the three subsidiaries.

Turnover was slightly lower at £2.85m (£3m). Earnings per share were 0.96p (0.03p).

An extraordinary item of £21,802 related principally to a compensation agreement with Mr Paul Howlett, the previous chairman.

No dividend has been recommended for the year because of the remaining deficit on distributable reserves.

The new year started with a good level of orders in hand.

Since 1986 the company has withdrawn from some low margin building contracts and is seeking to make acquisitions in service fields.

Bennett seeks full listing

Bennett & Fountain, the acquisitive electrical wholesaler and retailer, is seeking to move from the USM to a full listing, Mr Jack Pomper, chairman, said at yesterday's AGM. He said that the current financial year should show further satisfactory progress.

Bennett & Fountain intends to integrate Wilkes, electrical wholesaler, within its existing operations in the North.

FNFC advances 46% to £53m

First National Finance Corporation qualified as a fully-restored public company yesterday by paying tax on its profits for the first time in 15 years.

The company, once the best-known casualty in the City lifeboat, reported a 46 per cent rise in pre-tax profits to £53.1m for the year ending October 31 1987. After a tax charge of £8.1m, group profit amounted to £44.9m. Last year's after tax profits of £36.7m included a tax credit of £322,000.

Earnings per share were up 13 per cent at 30.9p, and a final dividend of 5.75p is being recommended, bringing the total to 8.75p net for the whole year, up from 6.39p.

The bulk of the profits came from its consumer credit division which earned £36.6m, up from £27.1m last year. The division's activities include mortgages, personal loans and financial services such as life insurance. Mr Langdon said FNFC is increasing its share of the market, and is managing to reduce costs and bad debts.

The property division earned £10.9m, up from £8.9m. The division is shifting its business away from the management and sale of flats to development of property, in some cases in partnership with building companies like Mowlem.

Despite business having shrunk because of a large number of loan redemptions the commercial lending division earned £9.9m, up from £4.9m. The results included only six months profits from TCB, the lending company FNFC bought in 1985.

Central interest costs amounted to £4.3m, down slightly from £4.5m. FNFC's earning assets now total more than £1bn, up from £830m at the end of last year.

● comment

The shares of First National Finance Corporation have had a very good run in the last month, so yesterday's share price reaction does not reflect any disappointment with a 46 per cent rise in full year pre-tax profits and a 37 per cent rise in the full year dividend. The consumer credit operation, the long standing jewel in FNFC's crown, increased its profits by over a third to £35.6m and the group continues to increase its very substantial share of the second mortgage and home improvement lending markets. Its bad debt experience is running at half the average and since the majority of the group's lending is at variable rate it is confident that its forecasts of significant growth in the current year will not be derailed by a surprise rise in interest rates. However, the group is beginning to run out of tax losses, and the tax charge could increase from 15 per cent to 22 per cent in the current year. Assuming it earns a fully diluted 30p this year, at 258p the shares are trading on an undemanding multiple of 8.6 and yielding an above average 4.6 per cent.

Singer & Friedlander stands by £12m profit

Singer & Friedlander, the merchant banking group which recently regained its independence, is standing by its forecast of at least £12m profits this year despite the collapse of the stock market.

The forecast was made at the time of the group's flotation in August.

In an earnings statement yesterday, Singer's directors said they "see no reason to vary that forecast, or the forecast of the rest of the group, either in respect of profits or dividends."

"Singer is believed to have taken some underwriting losses at the time of the crash, but has seen strengths in other parts of its business. Last year the bank earned £12m.

The earnings statement covers only one month of independent operation by the bank, and six months by the shell property company with which it merged to make the flotation.

It shows bank profits of £997,000, and earnings from property of £1.9m, making total profits after interest costs of £2.8m.

Company Notices

NOTICE OF PARTIAL REDEMPTION

BLAIR ATHOL FINANCE LIMITED

(Incorporated under the laws of the State of Victoria)

US$ 141,000,000

GUARANTEED FLOATING RATE NOTES DUE 1994
OF WHICH US$ 110,000,000 HAS BEEN ISSUED
AS AN INITIAL TRANCHE

NOTICE IS HEREBY GIVEN that in accordance with the Terms and Conditions of the Notes US$ 11,000,000 principal amount has been drawn for redemption at their principal amount on the next Interest Payment Date being 4th February 1988, when interest on the drawn notes will cease to accrue.

Principal amount outstanding after such redemption will be US$ 99,000,000.

The serial numbers of the Notes drawn for redemption are as follows:

27	322	755	1173	1558	1941
32	330	764	1196	1559	1946
36	334	780	1200	1562	1969
38	347	782	1221	1563	1974
42	350	784	1222	1567	1978
49	366	796	1227	1578	1989
66	375	816	1236	1579	1994
70	380	822	1261	1580	1998
75	382	829	1262	1581	2033
98	436	840	1275	1585	2093
99	441	845	1286	1594	2099
103	444	864	1288	1605	2104
115	448	872	1290	1611	2105
124	450	874	1296	1612	2125
137	472	879	1309	1627	2126
140	507	885	1328	1629	2129
145	526	929	1335	1635	2134
161	528	936	1336	1641	2159
162	538	942	1346	1680	2163
163	540	954	1353	1682	2198
170	543	984	1363	1684	
173	550	995	1372	1711	
178	558	1019	1377	1712	
199	564	1024	1404	1714	
209	580	1031	1408	1722	
231	587	1035	1409	1750	
234	589	1040	1429	1768	
243	629	1056	1431	1789	
244	637	1075	1439	1822	
245	639	1078	1441	1846	
260	644	1079	1446	1862	
269	670	1096	1451	1868	
271	676	1100	1459	1889	
280	685	1121	1478	1906	
294	695	1146	1487	1909	
296	700	1152	1503	1914	
301	704	1153	1507	1915	
302	720	1154	1520	1924	
306	721	1160	1529	1930	
309	754	1167	1533	1935	

Repayment of the principal will be made upon presentation of the Notes with all unmatured coupons attached, at the offices of any one of the Paying Agents mentioned thereon.

Accrued Interest due on 4th February 1988 will be paid against presentation of Coupon No.1 on or after 4th February 1988.

BANK OF MONTREAL LONDON — PRINCIPAL PAYING AGENT

4th January 1988

CORRECTION NOTICE

MITSUI & CO. FINANCIAL SERVICES (AUSTRALIA) LTD.

A$50,000,000

Guaranteed Floating Rate Notes Due 1992

Unconditionally guaranteed by

MITSUI & CO. (AUSTRALIA) LIMITED

Notice is hereby given that the Rate of Interest has been fixed at 10·836% p.a. and that the interest payable on the relevant Interest Payment Date, March 29, 1988 against Coupon No. 2 in respect of A$10,000 nominal of the Notes will be A$270·16.

January 6, 1988, London
By: Citibank, N.A. (CSSI Dept.), Agent Bank CITIBANK

Standard Chartered

Standard Chartered PLC

(incorporated with limited liability in England)

US$400,000,000 Undated Primary Capital Floating Rate Notes

In accordance with the provisions of the Notes, notice is hereby given that for the Interest Determination period from 6th January, 1988 to 8th February, 1988 the Notes will carry interest at the rate of 7⅝ per cent per annum.

Interest accrued to 8th February, 1988 and payable on 6th July, 1988 will amount to US$69.90 per US$10,000 Note and US$698.96 per US$100,000 Note.

Standard Chartered Merchant Bank Limited
Agent Bank

Standard Chartered

Standard Chartered PLC

(incorporated with limited liability in England)

US$300,000,000 Undated Primary Capital Floating Rate Notes (Series 4) (of which US$200,000,000 has been issued as the Initial Tranche)

In accordance with the provisions of the Notes, notice is hereby given that for the six months period, (182 days), from 6th January, 1988 to 6th July, 1988, the Notes will carry interest at the rate of 7.65 per cent. per annum.

Interest payable on 6th July, 1988 will amount to US$386.75 per US$10,000 Note and US$3,867.50 per US$100,000 Note.

Standard Chartered Merchant Bank Limited
Agent Bank

NOTICE OF REDEMPTION

To the Holders of

IBM Credit Corporation

U.S. $300,000,000

Extendable Notes Due February 1, 2000

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of the Fiscal and Paying Agency Agreement dated as of October 1, 1984 between IBM Credit Corporation (the "Company") and The Chase Manhattan Bank (National Association) (the "Fiscal Agent"), the Company has elected to exercise its option to redeem all of the Company's Extendable Notes Due February 1, 2000 (the "Notes") pursuant to paragraph 7 of the Notes, on February 1, 1988 (the "Redemption Date") at a redemption price of 101% of the principal amount thereof (the "Redemption Price").

On the Redemption Date, the Redemption Price will become due and payable on the Notes and will be paid upon presentation and surrender of the Notes, together with all appurtenant coupons maturing subsequent to the Redemption Date, at the paying agencies listed below. On and after the Redemption Date, interest on the Notes will cease to accrue.

Coupons which shall mature on, or shall have matured prior to, the Redemption Date, should also be presented and surrendered for redemption at any of the following paying agencies:

The Chase Manhattan Bank, N.A.
P.O. Box 440
Woolgate House, Coleman Street
London EC2P 2HD, England

Chase Manhattan Bank Luxembourg, S.A.
Coin Boulevard & Grand Rue
CP 240
Luxembourg, Luxembourg

Chase Manhattan Bank (Switzerland)
Postfach 162
Genferstrasse 24
8027 Zurich, Switzerland

Berliner-Handels-und Frankfurter Bank
10 Bockenheimer Landstrasse
6000 Frankfurt, am Main 1, West Germany

Nederlandse Credietbank, N.V.
Herengracht 458
Amsterdam, The Netherlands

Societe Generale
29 Boulevard Haussmann
Paris 75009, France

Banque de Commerce S.A.
51/52 Avenue des Arts
B-1040 Brussels, Belgium

Banque General du Luxembourg S.A.
27 Avenue Monterey
Luxembourg, Luxembourg

IBM CREDIT CORPORATION
By: The Chase Manhattan Bank (National Association) as Fiscal Agent

Dated: December 30, 1987

NOTICE OF CHANGE OF REGISTRARS

NOTICE IS HEREBY GIVEN on the Borrowing Bodies' behalf to holders of the Stocks shown below that, with effect from the dates indicated, the registrars shown have resigned as registrars and the Bank of England, Registrar's Department, has been appointed registrar for the Stocks as from such date.

For any of the Stocks where a bearer facility exists, there has been no change of Paying or Exchange Agent.

Correspondence to the Registrar of these Stocks should be addressed to:

Bank of England
Registrar's Department
New Change
London EC4M 9AA

Kingdom of Spain
12 per cent. Loan Stock 1999
Kingdom of Spain
11½ per cent. Loan Stock 2010
Lloyds Bank PLC resigned on 12th October 1987

Republic of Portugal
9 per cent. Loan Stock 2016
Lloyds Bank PLC resigned on 12th October 1987

Crédit Foncier de France
10½ per cent. Guaranteed Serial Loan Stock 2011, 2012, 2013 and 2014
Baring Brothers (Ravensbourne Registration Services Ltd.)
resigned on 30th November 1987

Crédit Foncier de France
14½ per cent. Guaranteed Loan Stock 2007
National Westminster Bank PLC resigned on 30th November 1987

Asian Development Bank
10½ per cent. Loan Stock 2009
Lloyds Bank PLC resigned on 26th October 1987

Ireland 12½ per cent. Loan Stock 2008
Lloyds Bank PLC resigned on 26th October 1987

Electricité de France (E.D.F.). Service National
12½ per cent. Guaranteed Loan Stock 2008
Electricité de France (E.D.F.). Service National
11½ per cent. Guaranteed Serial Loan Stock 2009, 2010, 2011 and 2012
National Westminster Bank PLC resigned on 30th November 1987

Bank of England
6th January 1988

UK COMPANY NEWS

TALKS ON WITH SUMITOMO OVER PETROCHEMICAL COMPLEX

Shell plans Singapore expansion

BY STEVEN BUTLER

Shell International Chemical Company, part of the Royal Dutch/Shell Group, yesterday said it had offered to buy the Singapore government's 50 per cent stake in the **Petrochemicals Corporation of Singapore**, which operates a petrochemical complex on Pulau Ayer Merbau.

Temasek, Singapore Government holding company, yesterday valued the entire complex, which is 50 per cent owned by a consortium of Japanese companies led by Sumitomo Chemical Company of Japan, at S$2bn. (£534m).

Shell declined to put a price on the proposed acquisition, although it said it would lead to a significant expansion of the group's presence in Singapore.

It added that discussions were proceeding with Sumitomo, which is the principal private Japanese shareholder.

The complex was said to have lost money since it opened in 1984, although profits were expected to be reported for 1987.

Shell has a major presence in Singapore with refining capacity of 450,000 barrels per day, and operates a distribution network.

Singapore began to build its refining and petrochemical plant in the last decade, and is now a major regional centre for the industry, which includes the processing of oil cargoes passing from the Gulf to the Far East.

Petrochemicals Corporation operates an ethylene plant, and owns 30 per cent of Polyolefin Company, producer of low density polyethylene and polypropylene, 50 per cent of Ethylene Glycols Singapore, in which Shell has a 20 per cent holding, 30 per cent in Phillips Petroleum Singapore Chemicals, which manufactures high density polyethylene, and 30 per cent in Denka Singapore, which manufactures carbon black.

The Singapore government has begun a broad privatisation programme aimed at reducing government domination over the economy. The oil-related industries earlier provided a major sources of growth, although they suffered badly in 1985 owing to overcapacity.

●**Shell International Petroleum**, a subsidiary of Shell Transport and Trading of the Royal Dutch/Shell Group, has invested £45m at its UK Stanlow plant and at Berre in France as part of the first stage of installing new process technology for making oil additives.

Total capacity for detergent lubricating oil is to exceed 100,000 tonnes per year after a 30 per cent expansion at both sites. Production capacity at Stanlow for ashless dispersant is to double in three years, while a new dispersant plant is to open in Berre in 1990.

Brunning back in profit with £0.36m

BY FIONA THOMPSON

Brunning Group, once one of Britain's leading advertising agencies, has returned to profit after two years of losses. The company yesterday unveiled pre-tax profits of £357,000 for the six months to September 30 1987, compared with a loss of £208,000 for the same period in 1986. Earnings per share were 7.9p against a 3.2p loss.

"I am delighted," said Mr Trevor Shonfeld, chief executive. "It is the best news ever when a business can turn itself round. It was a lot of hard work."

For the full year to March 31, 1987 Brunnings reported a £393,000 loss, though this was an improvement on the previous year's £1.18m deficit. The last profitable full year was 1984/85 with £377,000.

Advertising agencies account for 54 per cent of Brunnings' gross income. The group has five agencies, in London, Birmingham, Bristol, Manchester and Leeds and, according to Mr Shonfeld, now ranks 19th among UK agencies in billings (turnover) terms.

"Our ranking is now the highest it has been for 15 years. We're heading for the top ten, and will be there within three to four years," said Mr Shonfeld.

After a competitive pitch, it has just won the Toyota account, for the whole of the car company's UK advertising, worth £7m. MFI Furniture is Brunnings' biggest account, at £10m–£15m, others include the Halifax Building Society, Northern Dairies and Payless DIY.

The group's public relations company, Leedex, accounts for 15 per cent of total income. The October acquisition of MPR Communications places Leedex in the top 20 UK agencies, with a fee income in excess of £3m.

The marketing division provides the remaining 31 per cent of group income.

Group turnover for the six months was £29.2m, against £28.3m. There was a tax credit of £98,000 (£12,000 charge). An interim dividend of 1.25p (nil) has been declared.

Trevor Shonfeld – a lot of hard work

● comment

Brunnings can be well pleased with these results, the new management having staged a recovery after just 18 months at the helm. The advertising agencies have done a lot of work on presentations to drum up new business and can expect to see the fruits of this soon - though whether they will all smell as sweet as Toyota is debatable. While advertising will continue to be the mainstay of the business for some time yet, the marketing division looks like a major area for growth. The industry believes direct marketing will, within the decade, overtake traditional blanket advertising as the more effective method, and Circular Distributors will be well placed, having as a good lead in the actual mechanics of it. The City is looking for £850,000 for the full year, producing a prospective p/e of about 12, cheap considering the growth to come.

Sandell Perkins up 31% midway

Sandell Perkins, builder and timber merchant, increased pre-tax profits by 31 per cent from £4.72m to £6.16m on turnover up from £55.27m to £71.83m in the six months to September 30 1987.

The interim dividend rises to 1.6p (1.3p). Earnings per 10p share rose to 9p (7.7p) after tax of £2.2m (£1.7m).

Profits from operations amounted to £6.28m (£4.85m) and net interest payable was reduced to £120,000 (£129,000). Attributable profit amounted to £3.98m (£2.95m).

The directors said the market continued satisfactorily and while the company faced comparisons with the excellent months of the second half of last year, headway was nevertheless being made.

● comment

While the market as a whole was in fine fettle yesterday, shares in Sandell Perkins barely moved ahead. This muted response to an excellent set of interim figures reflects a feeling that the construction boom in the south east has passed its peak, rather than any serious disaffection with a sturdy stock. True, sales and profits will not continue to grow at the heady rate experienced since flotation in September 1986, but the company exhibits classic defensive qualities. Lowly geared and soundly managed, with scope for growth through cautious acquisition, half its sales originate within the circle described by the M25. The other half comes from the prosperous counties of the south. Given its emphasis on housebuilding and refurbishment work, Sandell has relatively little to fear from a contraction in City construction following the big crash – and full year pre-tax profits could be £12.3m, boosted by the big storm. That puts the shares on a p/e of nearly 14.

Brown Boveri pays £7m for German company

BY CLAY HARRIS

Brown Boveri Kent (Holdings), the industrial process control and measurement group, is to buy a leading West German maker of domestic water meters, for DM21m (£7m) in cash.

BBK, the UK-listed subsidiary of BBC Brown Boveri, the Swiss engineering group, is to buy the Mannheim-based water meter *activities of Bopp and Reuther.*

This is intended to enhance BBK's world-wide position in the sector, which accounted for more than a quarter of its sales last year. The company said, however, that increased demand arising from the expected privatisation of UK water authorities would be met from British production.

Bopp and Reuther Wasserzaehler, second largest German maker of water meters, has tangible net assets of about DM16m.

Zetters Leisure raises profits 10% to £705,000

BY CLAY HARRIS

Zetters Leisure, owner of 30 bingo clubs, yesterday reported pre-tax profits of £705,201 for the six months to September 30,1987 a period ending only four weeks after it was demerged from football pools operator **Zetters Group**.

The results, prepared as if the bingo group had been independent *for the entire half*, showed a 10 per cent pre-tax advance on comparable six months in 1986, calculated by the same demerger accounting standards.

Turnover advanced by 21 per cent on the same basis to £5.46m, and earnings per share by 10 per cent to 3.31p (3.01p). The company will pay an opening interim dividend of 0.55p.

Mr David Isaacs, managing director, said Zetters Leisure had *paid a total of more than £1m in* cash and shares since the year-end to buy bingo clubs in Hereford and Sheerness from independent operators.

Although the Zetters family still owns a majority of the bingo group's shares, it is willing to see this stake diluted to less than 50 per cent to achieve the right acquisitions.

Zetters Leisure intends to underline its separate identity in March by moving its head office to Northampton from its former parent's headquarters at Cler*kenwell, London.*

Hanson makes Brazilian sale

Hanson Industries, US arm of the Hanson conglomerate, has sold its Brazilian paint operations to Akzo, Dutch chemicals company for $22.3m (£12m). Tintas Ypiranga, Brazil's fourth largest paint producer, was acquired by Hanson as part of its acquisition of SCM industries in 1986.

In a separate announcement, Hanson said that its $1.7bn acquisition of Kidde had been formally completed.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres-ponding div	Total for year	Total last year
Brunning ....int	1.25†	-	nil	-	2.5
First Nat. Fin. ....fin	5.75	Feb 25	4.14	8.75	6.39
Pepe§ ....int	1.5	-	1.5	-	3.75
Sandell Perkins ......int	1.6	Feb 12	1.3	-	4.3
Zetters Leisure ......int	0.55♦	-	-	-	-

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights *and/or acquisition issues. §USM stock. Unquoted stock. Third market.* ♦First dividend since demerger from Zetters Group.

Word problem • Prices of working overseas

BY MICHAEL DIXON

WOULD readers please start the new year by helping with a professional identity problem which is perplexing a number of men and women across Europe?

They know who they are, all right, and also what they do. It is helping people who have been sacked or otherwise plunged into job difficulties to re-establish their careers.

The snag is that they don't know what to call their activity. Indeed, at their recent meeting in Geneva, they spent a whole afternoon and a good deal of the following morning debating the matter without being able to agree on a solution.

At present the most commonly used term for what they do is "outplacement", which was imported from the United States where their trade originated. But the heads of the trade's branches east of the Atlantic dislike the imported word.

The main reason is that it puts the stress on out, as in "outcast", so reinforcing the notion that anyone in need of their services is a sort of social pariah with something to be ashamed of. By contrast, those who provide the services see themselves as helping fellow human beings, who happen to have been unlucky enough to be thrown out of work, in the thoroughly honourable task of getting back in again.

There is similar objection, on obvious grounds, to the term "redundancy counselling". "Re-employment counselling" is also disliked perhaps because, in a growing number of cases, the only recovery route open to folk who lose their job lies not in obtaining another one with some established organisation but in earning their living on a self-employed footing.

So the problem, to which I hope readers will apply their wits, is to devise an appropriate name for the activity. It does not have to be an English term. It could be in any of the European languages provided it can be translated into the others without unfortunate overtones — a proviso which scuppered the proposal of a French delegate at the Geneva conference that the rest of Europe should adopt France's name for the game, which translates as "professional reinsertion".

Living costs

NOW to the table which throws some light, at least, on a question that is frequently put to the Jobs column by people of various nationalities. The query is: if I went to work as an expatriate in such-and-such a country, how much would it cost to keep up the standard of living I have at home?

The figures have been kindly provided by the Employment Conditions Abroad consultancy which operates as a trade association keeping check on employment conditions in a wide variety of places on behalf of the international organisations which subscribe to it.

The table is drawn from the consultancy's latest survey of worldwide living costs which covers about 70 lands. My data, however, refers only to seven different nationalities of expatriates working in a range of eight countries including their home territory. Anyone wishing for further information should contact ECA's Barry Rodin at 15 Britten Street, London SW3 3TY; telephone 01-351 7151, telex 299751.

In every case the expatriates are assumed to be doing the same type of job: heading a function such as marketing in a company of medium size. The first column of figures shows, in sterling at the exchange rates prevailing in mid-December, the typical gross salary they would receive in their native land. The remaining columns show how much it would cost them to maintain their home pattern of spending on consumer goods — food and drink, clothing, household durables, services like dry cleaning and car-running costs — in each of eight countries.

Nationality of typical middle-rank manager*	Gross salary in home country £	COST OF KEEPING UP HOME PATTERN OF SPENDING ON CONSUMER GOODS IN: United Kingdom £	United States £	Switzerland £	Netherlands £	West Germany £	France £	Australia £	Japan £
British	23,000	7,500	8,175	14,100	9,675	10,875	10,800	7,200	19,500
American	38,550	12,636	9,810	19,699	14,626	15,080	15,584	10,021	26,654
Swiss	57,230	10,184	9,721	15,430	11,418	12,807	12,653	8,641	22,990
Dutch	36,260	7,229	6,924	12,098	7,609	9,283	9,131	6,163	17,120
West German	45,770	9,104	8,632	14,780	10,335	10,710	11,403	7,673	20,561
French	34,520	9,600	9,164	15,492	10,800	11,565	10,910	7,800	21,602
Australian	21,600	8,464	7,693	13,797	9,730	10,504	10,470	6,250	19,320

* Responsible for function such as marketing in medium-sized company.

Take for example the British representative who in the UK would have a gross salary of £23,000 of which £7,500 would be spent on such goods each year. Keeping up the same level of consumption would cost £8,175 in the US, £14,100 in Switzerland, £9,675 in Holland, £10,875 in West Germany, £10,800 in France, £7,200 in Australia, and £19,500 in Japan.

PR chief

HEADHUNTER Clive Deverell of the Bull Thompson consultancy is offering a top executive job in the public relations field, with much emphasis on business development. The employer is Forman Grayling International, now part of the UK-owned Lopex group.

Grayling's billings for public relations work in Britain are running at about £6m and it is keen to expand its business further afield. Hence its search through Mr Deverell for a director of European operations.

The company already has offices in Paris, Brussels and Frankfurt, but they have so far been run as individual units. The newcomer's main responsibility will be to weld them into a co-ordinated operation and use it as the foundation for building up a top-ranking Europe-wide PR business.

Beginning by developing a convincing strategy for the expansion together with detailed marketing proposals for capturing new clients throughout the Continent, the recruit will then take the lead in carrying the plan into effect. But in addition, the director will be exected to take personal charge of a small number of key accounts.

Accordingly candidates should be demonstrably skilled in all the techniques of PR, as well as having a successful record in the management of people and the various other aspects of running a business including negotiation of large-scale contracts. What is more, Clive Deverell says, "it is essential that they should be committed Europeans in their attitude, comfortable in dealing with non-Brits, and preferably fluent in one or more of the main Continental languages."

The post carries a pay-and-perks package worth £60,000 to £70,000 suited to the wishes of the person appointed. The base could be London, Brussels, or Paris.

Inquiries to Mr Deverell at 63 St Martin's Lane, London WC2N 4JX; tel 01-240 3561, telex 299701.

Tax experts

RECRUITER John Gregory of the John Courtis and Partners consultancy is seeking two senior managers for separate tax-consultancy concerns, one in London and the other in the south Midlands. As he may not name his clients, he promises to abide by any applicant's request not to be identified to the employer at this stage.

In each case the emphasis is on planning and advice. Candidates should have consummate communication skills as well as relevant qualifications and experience in either personal or corporate tax consultancy.

Salary indicators are £35,000 for the London post and £30,000 for the other.

Inquiries to Mr Gregory at 855 Silbury Boulevard, Milton Keynes MK9 3ND; tel 0908 669692.

Fund Manager

Hong Kong **Age: 24-32**

A leading British investment management company is looking for an equity fund manager to work in its Hong Kong office for three years to share responsibility for investment management of institutional client portfolios in the Pacific Basin Region excluding Japan.

The applicant should have at least three years experience of the region, as a stockbroker, fund manager, analyst or banker and should be familiar with the local economies and stock markets. The position further requires a decision maker who is capable of helping to manage an office of seventy staff and who can expect to become a local director.

Remuneration will include housing, social and other benefits and be in line with the Company's policy of well rewarding able executives.

Applicants should write in confidence, enclosing a full resume, to the Personnel Director, Baring International Investment Management Limited, 9 Bishopsgate, London EC2N 3AQ.

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◇ The successful candidate will handle transactions both directly from London and jointly with regional offices.

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◇ Good technical corporate finance skills covering a broad range of transactions.

◇ A graduate aged 27-33, ideally with a professional qualification.

◇ Willingness to travel. Asian experience would be preferred but is not essential.

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For further information contact Laurie Boyall on 0753 857519 (office hours) or 01-741 4087 (evenings and weekends) quoting ref NY01. Alternatively send your CV to him at:

McGregor Boyall Associates – Executive Selection, The Lodge, 66 St Leonards Road, Windsor, Berkshire, SL4 3BY.

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SENIOR BANKING POSITIONS

HEAD OF BOND TRADING AND SALES — late 30s/early 40s — c£100,000 p.a.

International bank, well-known in the market, seeks head of dealing room with strong management skills. This bank also seeks head of bond sales and it is possible that initially the two positions could be merged. The bank is market maker in eurodollar straights and euroyen and trades other instruments.

SENIOR MANAGER PROPERTY FINANCING — 30s/40s — Salary very negotiable

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European bank is establishing a dealing room in the new year and seeks an experienced foreign exchange and deposit dealer with potential to become chief dealer. Emphasis will be on spot dealing but the bank attracts considerable deposits which would be placed out. Ideal background would be, first, clearing bank forex experience, then a medium sized and active international bank.

Please speak with Elizabeth Hayford on 01 377 5040 or write to her at:-

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Devonshire House, 146 Bishopsgate, EC2M 4JX. 01-377 5040

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The attractive benefits include a generous tax-free salary, free furnished villa, car, school fees, annual airfares and generous leave. Please reply in confidence with full personal and career details to:
James Walmsley, Bull Thompson & Associates Ltd., Alliance House, 63 St. Martin's Lane, London WC2N 4JX, quoting reference 1298.

Bull Thompson

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MARK STANDEN, EXECUTIVE CONSULTANT on 01-236-8192
JAC RECRUITMENT
23 COLLEGE HILL
LONDON EC4R 2RT

JAC

Chief Executive

Yorkshire and Humberside Development Association

Following the appointment of Dr. John Bridge to the Northern Development Company, we are seeking a new Chief Executive for the Association.

Based in Leeds and employing 20 people, the Association receives an annual income in excess of £1 million from central and local government and private industry. Its role is to promote the economic and commercial resources of Yorkshire and Humberside and so to encourage investment and to create or protect jobs. The target areas are the US, Western Europe, the Far East and the UK.

The YHDA has earned a first class reputation and has excellent facilities and a committed professional team. The Chief Executive's role is to spearhead the promotional programme, to work closely with public and private sponsors, to prepare and implement strategy – but above all to provide direction and leadership.

Candidates, male or female, probably graduates aged 35 to 50 and with a background in economic or business development, could come from public or private sector. They must already be successful managers who can lead a team, develop an organisation and achieve results. With a thorough understanding of the needs of business, they must be able to work productively with central and local government.

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Please send career details – in confidence – to D. A. Ravenscroft at
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Ravenscroft & Partners

Jonathan Wren

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A successful career to date within a financial institution or international corporation must be shown together with a proven track record in managing currency funds exposure for corporate and private clients, mostly non-UK residents. The position will be high profile therefore the ability to communicate at all levels and to be diplomatic are pre-requisites. A thorough knowledge and understanding of financial markets is also necessary. Ideal age range is 30 to 40 years. **Contact Richard Meredith.**

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Recruitment Consultants
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Please reply in confidence giving concise career, personal and salary details, together with a daytime telephone number and quoting reference 1530 to:

Geoffrey Rutland ACA, ATII, Executive Selection Division
Binder Hamlyn Management Consultants, 8 St Bride Street, London EC4A 4DA

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Corporate Finance

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Working closely with an Associate Director, the Manager Corporate Finance will be accountable for ensuring the effective management of corporate finance transactions. This will include client contact, deal structuring and account management. It is essential that the successful candidate has a proven track record in Corporate Finance with at least 3 years' experience. The ideal candidate will be a graduate with a relevant professional/post graduate qualification.

Corporate Finance Analyst

The main objective of this position is to ensure that information necessary to support the work of the unit is available. This will involve company analysis, industry analysis and the creation and maintenance of an information system.

Ideally the successful candidate will be a graduate with 12 to 18 months relevant experience, possibly in a stockbroker or merchant bank, who is looking to broaden their current role.

Remuneration and benefits will reflect the importance of the above positions.

Applications should be forwarded to the Personnel Manager, UK/Europe Region, Elders Finance Group UK Ltd., 73, Cornhill, London EC3V 3QQ.

Elders

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The ideal candidate will be mature and have a minimum of 5 years' experience and a demonstrably successful track record.
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Personnel & Administration,
The Bank of N. T. Butterfield & Son Ltd., P. O. Box HM 195,
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FOREX

APPOINTMENTS
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9-10 College Hill,
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As a result of rapid expansion the leading continental spot broker is seeking:

2 SENIOR FOREIGN EXCHANGE BROKERS

with at least six years experience in the Spot Foreign Exchange Market.
Applicants should be highly motivated, ambitious and hardworking individuals and this will be reflected by the highly competitive package we are offering.

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2 JUNIOR FOREIGN EXCHANGE BROKERS

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Compensation package £45,000 - £55,000

An International Investment Group which have recently acquired a controlling stake in a UK Stockbroking firm wishes to recruit an experienced Office Manager to take charge of the entire operations.

Candidates should be thoroughly conversant with all aspects of backroom operations, and would be expected to help implement computerized accounting and settlement systems. This position calls for serious commitment from the successful candidate to run the operations efficiently and profitably.

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Financial Times,
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Reporting to the Deputy General Manager you will be fully responsible for the results of the Money Market and Foreign Exchange Unit and the recently established Investment Banking Unit.

As Treasurer you will not only provide all management control of the Division but will recommend short and long-term strategies, review and introduce the newest instruments and develop the competence of the Treasury Staff.

As the ideal candidate you should have extensive current knowledge of marketable securities for both investment and trading purposes.

PORTFOLIO MANAGER
BAHRAIN **$60,000 (TAX FREE)**

Reporting to the Assistant General Manager-Treasurer you will be fully responsible for the management of $ 100 Million mixed portfolio. As the ideal candidate you will have had success in a previous "hands on" investment role and possess the ability to train local staff in the skills of portfolio management.

The compensation for the above two positions will include the normal expatriate benefits of furnished housing plus utilities, annual leave with airfares for family, a monthly transportation allowance, etc.

Please send your full curriculum vitae for either of the above two positions to the Deputy General Manager, National Bank of Bahrain, P.O. Box 106 Manama, Bahrain. The Gulf or telephone (973) 257788 for full details.

The EUROPEAN PATENT OFFICE in Munich is looking for a

PRINCIPAL ADMINISTRATOR (Ref: OJ 1-2/2)

who will be responsible for the day-to-day management of the internally managed securities portfolio of the pension fund.

He will work in conjunction with banks, analyse stock market and economic information and assist in monitoring the activities of external managers.

Candidates should have a diploma of completed studies at *university level, at least nine years appropriate experience,* excellent knowledge of one of the official languages (English, French, German) and the ability to understand the other two.

Like other international organisations the EPO pays an attractive tax-free salary including various allowances.

Applications (using forms available from the Office) are to be submitted by 26 February, 1988 to the European Patent Office, Personnel Department, Erhardtstrasse 27, D-8000 Munich 2, (Tel: Munich 2399-4318).

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SWITZERLAND

THE BANK FOR INTERNATIONAL SETTLEMENTS
an international institution in Basle

has a vacancy for an

EDITOR

in its Press Service
(age range 28-35)

mainly to assist in preparing documents for internal information purposes.

Qualifications required:
English as mother tongue, proficiency in French and German, and good knowledge of Italian; thorough grounding in economics with emphasis on central-bank policy and practice and international monetary affairs; ability to translate challenging texts on economics and related subjects from the above-mentioned foreign languages into English.

Further requirements are an ability to work speedily and under pressure, flexibility and adaptability, team spirit.

Applications giving full details (CV, copies of testimonials and a photograph) should be sent to the Personnel Section, Bank for International Settlements, CH-4002 Basle, Switzerland.

APPOINTMENTS ADVERTISING

Also appears today on page 10

هكذا من الأصل

FT LAW REPORTS

Digest of Michaelmas Term cases

FROM NOVEMBER 3 TO NOVEMBER 20

Forsikringsaktieskapet Vesta v Butcher and Others (FT, November 3)
The plaintiff ("Vesta") pleaded its case in contract and in tort against the underwriters of its reinsurance contract. While Vesta was held that it was entitled to recover the judge apportioned blame on Vesta in contributory negligence for its failure to check on the brokers' breach of a term in the policy. The issue was whether, on the facts of the case, there was power to apportion under the Law Reform (Contributory Negligence) Act 1945. Where under the general law a person owed a duty to another to exercise reasonable care and skill in some activity, a breach of that duty gave rise to a claim in tort notwithstanding that the activity was the subject matter of a contract between them, the Court of Appeal held. Consequently it was a case for apportionment of damages under section 1 of the Act.

Deutsche Schachtbau und Tiefbohrgesellschaft mbH v The R'As Al Khaimah National Oil Company v Shell International Petroleum Co Ltd (FT, November 4)
The judgment creditor ("DST") obtained a Mareva injunction freezing Rakoil's trade debts, including those of Shell, in the UK. It also obtained a garnishee order against Shell that the debts be paid direct to DST in satisfaction of the judgment debt. The garnishee order was made absolute although judgment for the same debt was obtained by Rakoil against Shell in the R'As Al Khamaih courts. In dismissing Shell's appeal, the Court of Appeal stated that (i) under English law the judgment obtained by DST was impregnable; (ii) the debt was unquestionably situated within the jurisdiction of the English court; and (iii) the English courts were forbidden by statute to recognise the R'As Al Khamail judgment.

Bray (Inspector of Taxes) v Best (FT, November 6)
Two trusts for the benefit of employees of a firm for which Mr Best worked were wound up and the assets distributed to the employees. Mr Best received his sum after he had ceased employment. The Special Commisioner found that receipt of the relevant monies was attributable to the distribution year but, as Mr Best was not then employed, there was no source for that year and no liability to tax under section 181 of the Income and Corporation Taxes Act 1970. In allowing Mr Best's appeal against a decision that if money was paid for service as an employee, it had to be paid for some definable period of service, or be regarded as spread over the whole period of service, the Court of Appeal held that the correctness of the Special Commissioner's decision could be tested by the difficulty of trying to formulate a principle of apportionment in the circumstances.

Bibby Bulk Carriers Ltd v Cansulex Ltd (FT, November 10)
Order 24 rule 14A, which came into force on October 1 1984, provided that an undertaking not to use a discovered document ceased after it was read or referred to in open court unless the court ordered otherwise. The rule was not intended to operate retrospectively. The present application was that an implied undertaking not to use a document should be waived in order to make it available to a third party because the body of the document had been read out in open court. Mr Justice Hirst stated that in exercising its discretion whether to release the plaintiffs from the undertakings not to use the document, the court had to consider, *inter alia*, whether the document was still confidential. In his Lordship's opinion, mere publication in open court or in a transcript, did not automatically remove a document's confidentiality and the plaintiffs' application came perilously close to introducing retrospective effect of the new rule through the back door.

Gomba Holdings UK Ltd and Others v Minories Finance Ltd and Others (FT, November 11)
Subsequent to Gomba Holdings' receivership in 1986/87, the court ordered the receivers to deliver up all documents belonging to the companies within two months. However, the receivers withheld certain documents on the grounds that they were prepared for the debenture holders, MFL. In dismissing the companies' motion for an extension of time for compliance with the order, Hoffmann J stated that ownership of documents was not to be tested by reference to whether they related to the companies' affairs. It was not a claim for discovery, but a proprietary claim, and depended on the capacity in which the receivers were acting when they brought the documents into existence.

Naviera Amazonica Peruana v Compania Internacional de Seguros Del Peru (FT, November 13)
In a dispute over renewal premiums for insurance on four vessels, the judge at first instance held that the clause to the effect that the "arbitration under the...laws of London" was a London arbitration clause governed by English law. However, he also held that proceedings for any arbitration were to be conducted in Peru under a clause which provided that the insured "accepts the jurisdiction...of...Lima." In allowing the shipowners' appeal, the Court of Appeal held that the parties could not possibly have intended such a complex regime. One only had to glance through the Arbitration Acts 1950 and 1979 to see how the conduct of arbitrations and the courts' powers intertwined. The correct interpretation of the policy was that the seat of arbitration should be London.

The Angelic Star (FT, November 17)
The appellant had guaranteed the last six bills of exchange relating to capital and the last five relating to interest in a contract for the building of a bulk carrier. Clause 13 of the loan conditions provided that in the event of default, the loan, "together with all other monies due...shall immediately become payable." After summary judgment was obtained against the guarantor on partial default, he argued on appeal that the clause constituted a penalty. However, the Court of Appeal stated, the mere fact that the capital sum became immediately repayable on a failure to comply with the conditions on which credit had been extended could not constitute a penalty. The public policy rule whereby the courts refused to sanction recovery of penalties was not designed to strike down any more of a lawful contract than was necessary.

Kansa General Insurance Co Ltd v Bishopsgate Insurance plc (FT, November 18)
Kansa sought to avoid a reinsurance treaty with Bishopsgate on the grounds of misrepresentations and non-disclosure. Kansa's case was rejected by the arbitrators who gave reasons in response to its request. In granting application for further reasons under section 1(5) of the Arbitration Act 1979, Hirst J stated that the principles of law applicable to non-disclosure were laid down by the Court of Appeal in *CTI v Oceanus [1984] 1 Lloyd's Rep 476*. Even on the stringent *Nema* test, it was hard to regard the arbitrators' very short exposition as constituting reasons for rejecting the non-disclosure submission while under the question of material misrepresentation there was a total failure to give reasons at all. There was thus a perceptible gap, not discernible in the award itself, which could give rise to submissions of law.

Re Tucker (FT, November 20)
The trustee in bankruptcy obtained two summonses under section 25 (1) of the Bankruptcy Act 1914, requiring Mr Tucker to attend to be examined concerning the insolvency of his brother. The summonses were to be served on Mr Tucker, who was domiciled abroad. However, the Court of Appeal held, the general practice in international law was that the courts of a country only had power to summon persons who accepted service or were present within the jurisdiction when served with the process. Moreover, although the court could order an examination of Mr Tucker abroad under section 25(6) of the Act, there was so little prospect of an order against him being obeyed, or serving any other useful purpose, that to make it would not be a proper exercise of the jurisdiction.

The first part of this digest appeared yesterday. It will be concluded on Friday.

Aviva Golden

Company Notices

APPOINTMENTS

Friends Provident general manager

Mr Graham Aslet has been appointed actuary and general manager at FRIENDS PROVIDENT. He succeeds **Mr Douglas King** who has retired. In 1983 Mr Aslet was promoted to deputy chief actuary. He became deputy actuary and assistant general manager on January 1 1986 and joint actuary and general manager in August 1987.

★

Mr William Brooks Close has been appointed director and general manager of CRONITE ADVANCED CASTINGS following its acquisition from the Dowty Group last July.

★

At the BRITISH FITTINGS GROUP, Birmingham, **Mr Brian F. Smith** becomes joint managing director with **Mr Brian W. Stanton**, chairman and joint managing director. **Mr Christopher R. Wadsworth** has been appointed to the board as an executive director in recognition of his achievements in establishing the hire subsidiaries of the group.

★

Mr Mark Lewis has been appointed managing director of LANTOR (UK).

★

Mr Andrew Sommerville has been appointed to the board of PARRISH, and will become chief executive of Parrish Broking Services. He was an executive director and company secretary of Mercantile House Holdings.

Mr Terry Jones has been appointed financial director of METALRAX GROUP, Birmingham. He remains company secretary of the group, a post he has held since 1984.

★

VALIN POLLEN has appointed **Mr Steve Tibble** and **Mr Chris Matthews** to the board.

★

Mr Andrew Anderson has been appointed to the board of SAVE & PROSPER FINANCIAL SERVICES.

★

JAPAN INTERNATIONAL BANK, London, has appointed **Mr Fusao Iida** as director and general manager. Mr Iida, on secondment from The Fuji Bank in Tokyo, succeeds **Mr Yukio Okumura** who will be returning to his parent company, The Mitsubishi Bank, in Tokyo.

★

At APPLEYARD GROUP **Mr M.G. Williamson** has been appointed as deputy chairman in addition to his existing responsibilities as chief executive.

★

PLUMB HOLDINGS has appointed **Mr Roger Downing** as a director, with responsibilities for Plumb Management and new business developments. He was managing director of Hobbs Architects.

★

THE HENDERSON GROUP has appointed **Mr William M. McDonald** as company secretary.

Mr Rex A. Smith has been appointed a part-time member of the board of the CIVIL AVIATION AUTHORITY for a three-year term. He is chairman of Aviation Advice, and Courtiers Investment Services, and until the end of last year was chairman and chief executive of CSE Aviation.

★

Mr Tony Cocklin, head of public affairs for British Caledonian Group, will be joining BRITISH AIRWAYS in the new post of senior general manager public affairs. He will be responsible for all public affairs activities relating to the airline's worldwide marketing both at home and overseas, including central marketing, sales and customer service. He will head both the airline's public affairs marketing team based at Heathrow, and all its overseas public affairs staff and agency representatives around the world.

★

Mr William Powell Bowman, chairman of Royds McCann, has been appointed chairman of the COVENT GARDEN MARKET AUTHORITY. He has been made an additional member of the Authority, and will take up his post as chairman on April 1, when he succeeds **Mr Peter Firmston-Williams.** Mr Bowman will serve until December 31 1991 The Authority owns and manages the New Covent Garden Market at Nine Elms, Vauxhall.

Price support move prompts cocoa surge

BY DAVID BLACKWELL

COCOA PRICES surged in London and New York yesterday on news that the International Cocoa Organisation (ICCO) is next week to hold an emergency session aimed at restoring the operation of its price support mechanism.

The organisation said the meeting was "to complete business left unfinished from the last regular session" which was adjourned on December 4. It will be the fourth time that ICCO has wrestled with the problems of its buffer stock system since it was suspended last June.

The second position contract on the London Fox yesterday closed at £1,134 a tonne, up £45 on the day and the highest figure since December 4, when prices nosedived as talks ground to a halt. Total trading volume was heavy at more than 10,000 lots.

Mr Edouard Kouame, executive director of ICCO, said he was very hopeful that this time delegates would succeed in putting together a compromise plan to get the buffer stock working again. Prices were at their lowest for 20 years, he said, and needed to be better defended.

The buffer stock manager has not intervened in the market since buying 75,000 tonnes last May and June. That was the maximum level permitted before the organisation was bound under its rules to revise prices. If agreement was reached next week, he would be free to buy a further 75,000 tonnes – a figure which corresponds with trader Gill & Duffus's estimate of the current year's production surplus.

At the moment the ICCO "must buy" or floor price remains at 1,600 Special Drawing Rights (SDRs) a tonne, although the indicator price for January 4 stands at only 1,363.74 SDRs.

Consumers in December sought substantial reductions in both the floor and ceiling prices of the agreement, but producers resisted strongly. Next week's meeting will be discussing not only cuts in the support price, but also a possible withholding scheme, which could take a further 120,000 tonnes off the market.

Other factors which boosted cocoa prices yesterday were the strengthening dollar, shortcovering in an oversold market, and expected good fourth-quarter grinding figures from the major chocolate producing countries, dealers said.

However, analysts believe that any bull run will encourage many countries, particularly in West Africa, to sell into the market, bringing downward pressure to bear on prices again.

Market fall triggers coffee quota cut

By David Blackwell

THE INTERNATIONAL Coffee Organisation has cut its total export quota by 1m bags for the present quarter. The cut, triggered because the ICO 10-day indicator price is below 120 cents a lb, will be followed by a further 1m bag cut after 10 market days if the price does not rise above 120 cents lb.

Yesterday's cut – which leaves the total quota at 55.5m bags – helped coffee prices on the London Fox to rise by £20 a tonne to £1,225 a tonne. But it had been widely expected, dealers said. More important factors behind the rise included the recovery of the dollar and attempts to correct an oversold market after last week's sharp falls.

Dealers said without some additional measures the market would struggle to reach the 120 cent floor of the ICO price range.

At the same time as cutting the quota, the ICO released export stamps for 1.5m bags of coffee which it had been holding back in case the indicator price dipped below the trigger price of 115 cents a lb in the October/December quarter.

In the event the indicator price ended last year at 115.01 cents a lb - a level which prompted Brazil, Colombia and Mexico to ask the organisation to go ahead with the cut in the January/March quarter. Mr Jorio Dauster, chairman of the Brazilian Coffee Institute, said the failure of the ICO price to fall below 115 cents on December 31 by "a totally insignificant difference" of 0.01 cent was "more of a statistical freak."

However, the ICO executive board is to meet on Friday at Brazil's request to consider the coffee market situation and the workings of the quota system.

Yesterday's cut is the second since the coffee agreement came into effect at the end of October. The total quota was set at 58m bags – but the first cut of 1.5m bags took place almost immediately. Some analysts argued at the time that a total quota of 54m bags was more realistic.

US tobacco growers scent revival in the air

Nancy Dunne reports on a new mood in an embattled industry

IN THE proud and prosperous state of North Carolina, tobacco's roots are deep and well set. "Tobaccy" financed the American revolution, growers boast, and built the roads and schools which allowed other industries to flourish.

Tobacco exports account for two thirds of America's agricultural trade surplus, a state growers' association claims. According to the Tobacco Growers Information Committee, federal and state governments earn 10 times more in taxes from tobacco than the farmers reap in profits.

Yet, the growers say bitterly, there is no appreciation for the crop they claim is "the finest in the world." The industry is besieged by product liability law suits – none of which has ever been lost – and an ever tightening noose of restrictions on smokers.

Every time Congress takes up a budget reduction measure tobacco state lobbyists are called in to beat off new levies. "Those pirates from the Potomac are trying to tax us to death," fumes Mr Reginald Lester, managing director of the Tobacco Growers Information Committee.

A highway road sign near Raleigh, the state capital, expresses the prevalent local attitude towards the federal government. It is upside down and it says, "This sign was planned in Washington."

Mr Rick Apple, president of the Tobacco Growers Association of North Carolina, settles into an easy chair in the spacious family home near the farms he operates with his father in north western Carolina.

"The biggest gripe I have as a grower is hearing the federal government subsidises tobacco....I've paid dearly in the past five years to subsidise my own programme."

It has been a rough five years for producers since Congress, under pressure from the anti-smoking lobby, ordered growers to pay all costs of their price supports through a complex formula of production quotas and individual assessments.

Thousands of farmers – squeezed by high interest rates and rents, assessments, falling demand and drought – lost their land. High domestic support prices encouraged a flood of cheaper imports. Foreign markets dried up and surpluses, held by the growers' co-operatives, swelled to more than 800m lbs.

The nation's production quota for flue-cured tobacco – two thirds of which is grown in North Carolina – plunged from 1.4bn lbs in 1975 to 700m lbs in 1987.

Now, however, tobacco farmers who survived the trials of the first half of the decade scent recovery in the air. Lower price supports and the weaker dollar have spurred both exports and domestic and manufacturing use. For the first time in a dozen years the US Agriculture Department has announced an increase in the next year's production quotas.

The revival began in 1987 when the average price of flue-cured rose by 6 cents over 1986 to $1.59 a pound. Cash receipts jumped 7 per cent and total production rose 6 per cent over the previous year.

At its recent annual outlook conference, the Agriculture Department forecast a favourable turn in the world tobacco economy. "Cigarette output," it said, "is expected to increase, driven by expanded consumption in the developing world. The leaf trade, despite the recent years' losses, should improve due to competitive pricing by some of the major industrialised producers."

It is the American tobacco industry itself rather than any government assistance which is most responsible for the turnaround in the US, in Mr Apple's view.

"You walk down the hall at the USDA, that's four blocks long and it's nothing but corn, and you go down to the next floor, and it's nothing but corn. You walk down a corridor and you see just two or three offices involved in tobacco," he says, adding with no little satisfaction, "we're heading towards zero government involvement."

The industry saved itself in 1985 with the manufacturers, hoping to preserve their more stable supply source, and growers joined together in a deal ratified by Congress. It involved

- A drop in average price support by 21 cents a lb.
- Purchase by he giant cigarette companies of 680m lbs of surplus tobacco over the next eight years.
- A promise by the manufacturers to pay half of the growers' assessment costs.
- A formula for setting production quotas based on the manufacturers' buying intentions, projected exports and the size of the reserves.

The cigarette companies have already purchased more than half the reserves in expectation of rising exports. Encouraged by market opening signs in the Pacific rim and hopeful of expansion in China, R.J. Reynolds and Philip Morris have built two new cigarette plants in North Carolina.

"They're getting ready to do to the rest of the world what Toyota and Datsun have done with cars," Mr Apple says.

The promising portents for tobacco have not obscured the industry's worry about the anti-smoking forces. "Smokers are more discriminated against than ever by a plethora of state and local ordinances," says Mr Lester. Last month Congress voted to prohibit smoking on 80 per cent of all domestic airline flights.

Few tobacco producers readily acknowledge a link between smoking and disease, and most openly scoff at the notion that secondary smoke can cause problems for non-smokers.

Outsiders preach crop diversification to tobacco farmers, but according to Mr Apple "that shows their ignorance."

He himself has augmented the family operation by growing Christmas flowers and a brother has gone into turf grass. But there is no alternative crop which will produce the income tobacco does for both the growers and the rest of the industry.

Mr Apple does see that perhaps 20 to 25 years from now, when Florida has become wall to wall condominiums, that North Carolina may become the nation's leading vegetable producer.

In the meantime the industry which has deftly waged its battle to survive over the years is building some new and surprising alliances. The American Civil Liberties Union, the liberal defender of free speech, has joined in the battle against a proposed ban on cigarette advertising.

Farmers plan protest

WEST GERMAN farmers have announced plans for nationwide protests over lower earnings and urged Bonn to combat European Community proposals to cut farm prices.

Mr Constantin Heeremann, the Farmers Association President, said in it was untenable that farm earnings were continuing to drop in comparison with those of other workers.

Incomes for West German farmers fell 17.2 pct in 1987.

"The West German Government, president of the European Community in the first half of this year, must act decisively against Community agricultural policies which are putting presistent pressure on prices," Mr Heeremann said.

Mr Michael Dreiner, an Association official said the exact nature of the demonstrations would be decided next week.

Bonn's Farm Minister Ignaz Kiechle has pledged to fight price cuts and is determined to present a compromise formula on farm spending to a meeting of EC leaders in February.

Tin producers to adjust quotas

BY WONG SULONG IN KUALA LUMPUR

THE EXECUTIVE council of the Association of Tin Producing countries will meet in Kuala Lumpur from next Tuesday to work out members' quota allocations for the next supply rationalisation scheme, covering March 1988 to February 1989.

At a ministerial meeting last September the seven-member association agreed that the scheme had been a success in reducing surplus stocks and agreed to maintain the overall export quota at 96,000 tonnes a year.

There will be some redistribution of individual quotas, however, to reflect the production capacity of members.

Under the present arrangement, Malaysia is allocated 28,526 tonnes, Indonesia 24,516 tonnes, Thailand 19,000 tonnes, Bolivia 13,761 tonnes, Australia 7,000 tonnes, Nigeria 1,461 tonnes and Zaire 1,736 tonnes.

Bolivia has not been able to produce up to its quota at current prices, whereas Malaysia could produce up to 35,000 tonnes.

Thai difficulty

Malaysian tin industry officials say Thailand may also have difficult in meeting its quota for the coming year due to the withdrawal of several tax concessions for miners and a crackdown on illegal offshore mines.

The supply rationalisation scheme has helped to reduce the world's tin surplus by about 2,600 tonnes a month, bringing the current overhang to some 50,000 tonnes.

Tin warrants

Prices have also firmed up during the past year from 15 ringgit ($3.20) to 17 ringgit a kg, and the main worry among association members is that the better prices will encourage new production, particularly among non-members.

Banks holdings tin warrants from the International Tin Council may also decide to unload some of their holdings.

There are indications that more tin is being produced in Peru and Zimbabwe, while exports from China, a major producer, remain unverifiable.

About 40 tin mines in Malaysia have also resumed production during the past year and more are applying for approval to do so.

Brazil and China may send observers to the four day executive council meeting.

Canadian grain terminal still strikebound

By David Owen in Toronto

A FOUR-week old strike which has paralysed Canada's third largest grain terminal remains far from settlement, following the withdrawal from talks of the appointed federal government mediator.

Mr Mike Collins left negotiations between the two sides in the dispute on Monday, saying that he could see "no sign of a compromise".

In protest at a decision to hire non-union supervisors to perform some functions, 69 members of the Canadian Grainworkers union walked out at the highly-mechanised Pacific coast facility at Prince Rupert on December 9.

Exports delayed

The dispute has dogged elevators in the Alberta and Saskatchewan grain belt and put Canadian grain exports behind by an estimated two weeks.

Meanwhile the Canadian Wheat Board lost C$110.5m (S45m) on barley sales in the 1986-7 crop year. However, small surpluses were achieved on wheat and oats.

The figures represent a significant improvement from the previous year, when the board suffered a record deficit of C$201m on sales of the three cereals.

WEEKLY METALS

All prices as supplied by Metal Bulletin (last week's prices in brackets).

ANTIMONY: European free market 99.6 per cent, $ per tonne, in warehouse, 2,310-2,350 (same).

BISMUTH: European free market, min 99.99 per cent, $ per lb, tonne lots in warehouse, 4.40-4.60 (same).

CADMIUM: European free market, min 99.95 per cent, $ per lb, in warehouse, ingots 3.05-3.13 (same), sticks 3.05-3.13 (same).

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 7.00-7.15 (6.90-7.05).

MERCURY: European free market, min 99.99 per cent, $ per 76 lb flask, in warehouse, 290-300 (same).

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 3.00-3.10 (2.95-3.03).

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 9.10-9.35 (same).

TUNGSTEN ORE: European free market, standard min 65 per cent, $ per tonne unit (10 kgs) WO_3, cif, 49-58 (same).

VANADIUM: European free market, min 98 per cent V_2O_5, cif, 2.80-2.90 (same).

URANIUM: Nuexco exchange value, $ per lb U_3O_8, 16.65 (same).

Sri Lanka frees rubber exports

SRI LANKA'S rubber exports have been freed of government control with the lifting of compulsory licences and minimum prices, a Trade Ministry official said, **reports Reuter from Colombo.**

He said export licences and minimum price levels, in force since 1959, were lifted on January 1 as part of the Government's liberalised trade policy.

Last month, the Coconut Industries Ministry abolished export licences for coconut and coconut products under the same policy.

Philippines copra exports down, value up

BY RICHARD GOURLAY IN MANILA

EXPORTS OF Philippine coconut products fell by 18 per cent to 1.92m tonnes (copra equivalent) in 1987 but its value grew by 14 per cent to $562m, according to estimates from the industry's association in Manila.

In 1988 coconut exports by volume is expected to continue falling, to 1.7m tonnes, but the value will rise to $661m, the United Coconut Authority of the Philippines said in a report. The private industry body decided to leave unchanged its volume estimates that it first made in a late November report, in spite of typhoons which struck coconut growing areas in the last two months of the year.

The official Philippine Coconut Authority and the industry's own body cannot agree on early estimates with the result that PCA figures are likely to be higher when they are published in two months.

During 1987, copra, copra meal and coconut oil exports fell by 7 per cent, nine per cent and 16 per cent respectively, to 126,717 tonnes, 747,138 tonnes and 1,051,337 tonnes. Desiccated coconut exports grew by 20 per cent to 81,374 tonnes, the report said.

UCAP forecasts that exports of copra will stagnate in 1988 while for the other coconut products they will decline. World market prices for copra and coconut oil, on the other hand, are projected to rise by 17 per cent and seven per cent respectively while copra meal and desiccated coconut prices will fall by 25 per cent and 7 per cent, the association forecasts.

Coconut product exports are the Philippines' largest foreign exchange earner after repatriated earnings of overseas workers. The country accounts for about 70 per cent of the world's exported coconut products and about half of production.

WORLD COMMODITIES PRICES

LONDON MARKETS

NICKEL PRICES fell sharply on the London Metal Exchange with West German merchants figuring in the profit-taking. This triggered stop-loss selling, and the cash price fell by £400 a tonne to close at £4,515 a tonne. Analysts said the market was overbought and due for a sizeable correction - but a retreat to $3.50 a lb from recent levels of over $4 a lb would leave the bull trend intact. Copper prices were also down in sympathy with currency linked declines on Comex and general profit-taking. Dealers said the market still seemed nervous after last week's rise of 10,000 tonnes in LME stocks. On the Baltic International Freight Futures Exchange (Biffex) the dry cargo futures contract closed at an all-time high, fuelled by the operation of stop-loss buying orders and chart-inspired investment. Gold bullion ended the day slightly lower after recovering from a six-week low of $475.50.

SPOT MARKETS

Crude oil (per barrel FOB January)		+ or -
Dubai	$15.85-5.90y	+0.05
Brent Blend	$18.30-8.50	+0.45
W.T.I. (1 pm est)	$17.75-7.80y	+0.375

Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$184-187	+1
Gas Oil	$156-158	+1.5
Heavy Fuel Oil	$81-83	+3.5
Naphtha	$146-150	+2
Petroleum Argus Estimates		

Other		+ or -
Gold (per troy oz)‡	$478.25	-1.75
Silver (per troy oz)‡	656c	+4
Platinum (per troy oz)	$492.00	-7.25
Palladium (per troy oz)	$120.75	-1.25
Aluminium (free market)	$2005	-35
Copper (US Producer)	150½-155c	+8.375
Lead (US Producer)	40c	-2
Nickel (free market)	380c	-25
Tin (European free market)	£3825	+75
Tin (Kuala Lumpur market)	17.19r	+0.02
Tin (New York)	332c	-0.5
Zinc (Euro. Prod. Price)	$880	
Zinc (US Prime Western)	44.375c	
Cattle (live weight)†	104.11p	-0.35*
Sheep (dead weight)†	172.58p	-22.04*
Pigs (live weight)†	68.28p	-6.51*
London daily sugar (raw)	$246.40v	+2.40
London daily sugar (white)	$250.00v	+3.00
Tate and Lyle export price	£240.00	+2.50
Barley (English feed)	£114.00	+1.00
Maize (US No. 3 yellow)	£137.00	+1.00
Wheat (US Dark Northern)	£92.25u	+1.00
Rubber (spot)Ψ	65.00p	+2.75
Rubber (Feb) Ψ	66.50p	+2.25
Rubber (Mar) Ψ	66.25p	+2.50
Rubber (KL RSS No 1 Jan)	275.00m	+1.00
Coconut oil (Philippines)§	$590.00v	-5.00
Palm Oil (Malaysian)§	$485.00	-5.00
Copra (Philippines)§	$390.00	+5.00
Soyabeans (US)	£169.50	+4.00
Cotton "A" index	73.30c	+0.45
Woolfops (64s Super)	484p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. w-Feb/Mar. v-Jan/Feb. z-Dec. y-Feb. u-Apr/May † Meat Commission average fatstock prices. * change from a week ago. ‡ London physical market. § CIF Rotterdam. Ψ Bullion market close. m-Malaysian/Singapore cents/kg

COCOA £/tonne

	Close	Previous	High/Low	
Mar	1116	1087	1124	1071
May	1134	1089	1144	1096
Jly	1152	1109	1164	1117
Sep	1175	1128	1184	1140
Dec	1193	1153	1206	1162
Mar	1218	1178	1230	1200
May	1237	1196	1244	1221

Turnover: 10606 (2587) lots of 10 tonnes

ICCO indicator prices (SDRs per tonne). Daily price for January 4: 1373.80 (1356.97); 10 day average for January 5: 1363.74 (1361.66).

COFFEE £/tonne

	Close	Previous	High/Low	
Jan	1195	1176	1201	1184
Mar	1225	1205	1233	1210
May	1246	1222	1253	1230
Jly	1267	1243	1270	1250
Sep	1287	1270	1289	
Nov	1302	1285		
Jan	1320	1305		

Turnover: 4448 (4379) lots of 5 tonnes

ICO indicator prices (US cents per pound) for January 4: Comp. daily 1979 113.44 (112.53); 15 day average 114.91 (115.01).

SUGAR $ per tonne

Raw	Close	Previous	High/Low	
Mar	217.60	218.80	219.40	213.60
May	218.20	217.60	217.20	213.20
Aug	218.20	217.40	217.20	213.20
Oct	215.60	217.40	217.80	212.80
Dec	218.00	218.40		
Mar	220.20	221.00	220.40	217.00
May	221.00	222.00		
White	**Close**	**Previous**	**High/Low**	
Mar	253.00	254.30	253.50	248.60
May	256.40	256.30	254.90	253.60
Aug	262.00	263.20	261.00	258.00
Oct	262.00	263.20	260.70	257.80
Dec	264.00	264.00		
Mar	268.00	269.00		
May	271.00	272.00	272.00	269.10

Turnover: Raw 3749 (5818) lots of 50 tonnes; White 1932 (1275).

Paris- White (FFr per tonne): Mar 1375, May 1395, Aug 1423, Oct 1430, Dec 1415, Mar 1450.

GAS OIL $/tonne

	Close	Previous	High/Low	
Jan	156.25	152.50	157.25	154.25
Feb	154.00	150.25	155.00	152.00
Mar	150.00	145.00	150.00	147.75
Apr	145.00	141.00	145.75	144.00
May	142.00	138.50	142.75	140.00
Jun	142.75	138.25	143.75	140.00
Jul	142.00	138.25	142.00	

Turnover: 7068 (4011) lots of 100 tonnes

GRAINS £/tonne

Wheat	Close	Previous	High/Low	
Jan	112.10	113.00	112.70	112.10
Mar	114.50	115.00	114.80	114.50
May	116.90	117.30	117.10	116.90
Jly	118.35	119.00	119.55	119.35
Sep	103.50	103.55	103.75	103.60
Nov	105.65	105.55	105.85	105.55
Jan	108.40	108.30	108.50	108.40
Barley	**Close**	**Previous**	**High/Low**	
Jan	107.90	107.65	110.00	107.65
Mar	109.75	109.85	110.00	109.75
May	110.85	111.00		
Sep	98.30	98.10		
Nov	100.80	100.50	100.80	100.50
Jan	102.80	102.60		

Turnover: Wheat 175 (133), Barley 122 (64) lots of 100 tonnes.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 8,150 tonne
Cash	1960-2000	2037-47	2010	2000-10		
3 months	1880-900	1937-47		1895-905	1880-90	3,250 lots
Aluminium, 99.5% purity (£ per tonne)						Ring turnover 20,050 tonne
Cash	1060-5	1085-7		1075-8		
3 months	1022-3	1023-4	1023/1015	1017.5-18	1020-1	60,275 lots
Copper, Grade A (£ per tonne)						Ring turnover 35,850 tonne
Cash	1576-80	1695-60	1620/1576	1620-5		
3 months	1428-30	1465-8	1460/1427	1454-6	1439-40	76,226 lots
Copper, Standard (£ per tonne)						Ring turnover 50 tonne
Cash	1500-10	1550-60	1545/1540	1540-5		
3 months	1400-10	1430-40		1425-35		62 lots
Silver (US cents/fine ounce)						Ring turnover 0 ozs
Cash	651-4	660-3		649-52		
3 months	662-5	681-4		660-3	675-80	645 lots
Lead (£ per tonne)						Ring turnover 3,300 tonne
Cash	361-3	369-70	366	365.5-6.5		
3 months	352-2.5	364-5	359/351	355-5.5	351-2	11,706 lots
Nickel (£ per tonne)						Ring turnover 2,016 tonne
Cash	4510-20	4910-20		4600-10		
3 months	4350-60	4700-5	4600/4240	4410-20	4230-40	15,074 lots
Zinc (£ per tonne)						Ring turnover 5,625 tonne
Cash	485-6	453-4	460	469-60		
3 months	471.5-72	458-9	475/466	468-7	473-5	12,290 lots

POTATOES £/tonne

	Close	Previous	High/Low	
Feb	99.30	99.20		
Mar	87.50	87.80		
Apr	143.70	144.80	144.70	143.70
May	157.70	158.60	158.30	158.10
Nov	95.00	96.00		

Turnover: 77 (63) lots of 100 tonnes.

SOYABEAN MEAL £/tonne

	Close	Previous	High/Low	
Feb	143.00	141.00		
Apr	133.50	132.00	133.50	132.50
Jun	124.50	123.50		
Aug	121.00	121.00		
Oct	122.00	122.00		
Dec	123.00	122.00		
Feb	126.00	126.00		

Turnover: 16 (9) lots of 100 tonnes.

FREIGHT FUTURES $10/index point

	Close	Previous	High/Low	
Jan	1305.0	1314.5	1335.0	1314.5
Apr	1365.0	1343.0	1365.0	1350.0
Jly	1212.5	1187.0	1213.0	1190.0
Oct	1305.0	1290.0	1305.0	1295.0
BFI	1270.0	1265.5		

Turnover: 560 (218)

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	478-478½	261½-262
Opening	478¾-479¼	255½-256
Morning fix	477.30	257.305
Afternoon fix	476.50	260.183
Day's high	478¾-479½	
Day's low	474¼-475¼	

Coins	$ price	£ equivalent
US Eagle	492-497	269-272
Maple leaf	492-497	268-272
Britannia	492-497	268-272
Krugerrand	477-480	261-263
1/2 Krug	249-257	135½-140½
1/4 Krug	123-131	67¼-71½
Angel	489-494	267¾-270
1/10 Angel	48-54	26¼-29½
New Sov.	112½-113½	61½-62¼
Old Sov.	113½-114	61¾-62¼
Noble Plat	511-521	279-285

Silver fix	p/fine oz	US cts equiv
Spot	351.25	650.00
3 months	359.10	661.25
6 months	367.15	673.65
12 months	383.45	698.50

LONDON METAL EXCHANGE TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Mar	May	Mar	May
1800	165	144	48	116
1900	106	101	90	171
2000	76	66	147	236
Aluminium (99.5%)	**Calls**		**Puts**	
1750	179	139	44	90
1850	119	94	83	142
1950	74	60	137	207
Copper (Grade A)	**Calls**		**Puts**	
2450	378	195	128	158
2600	293	131	191	242
2750	223	95	269	342

JUTE

December/January c and f Dundee BTC $575, BWC $565, BTD $500, BWD $490; c and f Antwerp BTC $550, BWC $540, BWD $485, BTD $495.

COTTON

Liverpool - Spot and shipment sales for the week ending January 1 amounted to 698 tonnes against 433 tonnes in the previous week. Fair operations occurred with dealings in Colombian, Pakistani, Sudanese and West African growths.

US MARKETS

Early profit-taking weakened energy futures, but strength quickly emerged in heating oil, reflecting continued cold weather in the US, which prompted a rally in crude oil as commission houses bought in the face of trade selling, reports Drexel Burnham Lambert. Precious metals weakened on early local selling, but support emerged at the lows and, as trade buying steadied silver, commission house stops were elected prompting short-covering which firmed prices. Copper underwent a technical correction as stops were hit, but good support emerged at the lows prompting short-covering which pared losses. Trade and commission house buying in sugar helped the market to sustain support levels following an earlier failure to reach recent contract highs. Cocoa rallied sharply on speculative buying on reports of a possible ICCO accord, but trade selling and profit-taking pared gains. The nearby contracts in meat futures were all firm reflecting the cold weather but back options were weak in anticipation of bearish figures from forthcoming crop reports. Wheat firmed on what was called a delayed reaction to reports last week of improved export business.

New York

GOLD 100 troy oz; $/troy oz

	Close	Previous	High/Low	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

PLATINUM 50 troy oz; $/troy oz

	Close	Previous	High/Low	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SILVER 5,000 troy oz; cents/troy oz

	Close	Previous	High/Low	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CRUDE OIL (Light) 42,000 US galls $/barrel

	Close	Previous	High/Low	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

HEATING OIL 42,000 US galls, cents/US galls

	Close	Previous	High/Low	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INDICES

REUTERS (Base: September 18 1931 = 100)			
Jan 4	Dec 31	mnth ago	yr ago
1745.2	1746.0	1686.5	1698.3

DOW JONES (Base: December 31 1974 = 100)				
Spot	[illegible]	[illegible]	[illegible]	[illegible]
Futures	[illegible]	[illegible]	[illegible]	[illegible]

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

PORK BELLIES 38,000 lbs; cents/lb

	Close	Previous	High/Low	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CURRENCIES, MONEY & CAPITAL MARKETS

FOREIGN EXCHANGES

Banks hit dollar speculators

THE DOLLAR rose sharply, as central banks took advantage of a market technically short of the US currency, to hit speculators.

The dollar was moving up from a strong start in Europe, with dealers expecting resistance to set in at a chart resistance point of DM1.6180.

Trading was generally routine, with a technically short market encouraging the buying back of dollars sold around the Christmas and year-end holiday period, when the central banks acted in concert.

The Federal Reserve bought dollars in early New York trading, and was soon joined by the West German Bundesbank, plus other European central banks, including the Swiss, Austrian and Italian.

This followed similar action on Monday, leading to nervous covering of short dollar positions. The dollar rose to DM1.6270 from DM1.5850; to FFr5.5025 from FFr5.3575; to SFr1.3265 from SFr1.2850; and to Y128.90 from Y122.75.

On Bank of England figures the dollar's index rose to 93.0 from 91.3.

STERLING-Trading range against the dollar in 1987/88 is 1.8785 to 1.4710. December average 1.8269. Exchange rate index fell 0.5 to 75.4, compared with 72.8 six months ago.

Sterling weakened on news that the UK official reserve rose an underlying $3.74bn in December, compared with $31m in November. The rise was much larger than the expected figure of about $¾bn to $1bn, and according to dealers reflected not only Bank of England support for the dollar, but also buying of D-Marks by the authorities to prevent the pound rising above DM3.00.

This indication of strong determination to prevent sterling gaining ground led to unwinding of some long positions in the pound.

Before the reserve figures were announced sterling had fallen back against the strong dollar, but briefly rose above DM2.99 and was also firm against most other major currencies.

At the London close the pound had fallen 4.60 cents to $1.8295-1.8305, while remaining slightly above its previous finishing levels at DM2.9775 against DM2.9750; FFr10.07 compared with FFr10.05; SFr2.4275 against SFr2.41; and Y235.95 compared with Y230.25.

D-MARK-Trading range against the dollar in 1987/88 is 1.8505 to 1.5740. December average 1.6354. Exchange rate index 151.3 against 146.7 six months ago.

The D-Mark weakened sharply against the dollar after central banks intervened to buy dollars, leading to comments that the market is likely to hold on to the US currency until publication of the US trade figures on January 15. It closed at DM1.6285 in Frankfurt, compared with DM1.5860 on Monday.

Earlier in the day the Bundesbank did not intervene when the dollar was fixed at DM1.6129, against DM1.5816 on at the previous fixing. The start of the upward move was regarded as largely technical.

JAPANESE YEN-Trading range against the dollar in 1987/88 is 159.45 to 121.25. December average 128.45. Exchange rate index 240.6 against 215.5 six months ago.

The yen fell back against the dollar in Tokyo, as dealers rushed to cover short positions in the US currency. There was no sign of Bank of Japan intervention.

Many operators in the market, including Japanese trust banks, are reported to be short of dollars at around Y125, but exporters are expected to be keen sellers at present levels, limiting the upward potential.

In nervous trading the dollar closed at Y124.80 in Tokyo, compared with Y121.65 on Monday, and Y123.00 overnight in New York.

£ IN NEW YORK

Jan.5	Latest	Previous Close
£ Spot	1.8495-1.8505	1.8750-1.8760
1 month	[illegible]	[illegible]
3 months	[illegible]	[illegible]
12 months	[illegible]	[illegible]

Forward premiums and discounts apply to the US dollar

STERLING INDEX

CURRENCY RATES

CURRENCY MOVEMENTS

OTHER CURRENCIES

EMS EUROPEAN CURRENCY UNIT RATES

POUND SPOT-FORWARD AGAINST THE POUND

DOLLAR SPOT-FORWARD AGAINST THE DOLLAR

EURO-CURRENCY INTEREST RATES

EXCHANGE CROSS RATES

FINANCIAL FUTURES

Mixed response to reserves

A STEEPER yield curve and falling gilt prices set the tone for Liffe trading yesterday. Dealers detected little immediate pressure for a rise in base rates but conceded that the next move was likely to be upwards.

March three-month sterling deposits again touched a key support level at 90.81 and although the contract recovered to close at 90.86, this was some way below the day's high of 90.98.

Sterling's exchange rate index was also at a chart base point, prompting one trader to suggest that the pound's five-month uptrend may be over. "No one is keen on going long at the moment," he added. "It is more a case of sell the rallies and hope for the best."

The pound's performance against the D-Mark remained all important, and as the pound fell away from early levels, so sellers gained the upper hand. A sharp increase in UK official reserves prompted an initial rally but values soon backed off as traders found the figures hard to interpret. On the one hand the size of intervention, apart from helping to support the dollar, also confirmed how determined the Bank of England was to hold the pound below DM3.00. On the other, it pointed to a further expansion in money supply. Together with the absence of any immediate upward pressure on rates, this suggested a slightly more relaxed monetary stance which failed to please the gilt sector.

The March gilt finished lower at 118-02, down from 118-22 at the start and 118-13 on Monday. News of a further £1bn tranche of Treasury stock had little effect.

The firmer start was helped by a strong US bond, the latter boosted by the dollar's improvement. However the market's appetite was soured as the dollar slipped back from its best levels and when the March bond failed to hold 89-05, an early trickle of sellers turned into a flood, forcing the price down to 88-30. It recovered a little to close at 89-06.

LIFFE LONG GILT FUTURES OPTIONS

LIFFE US TREASURY BOND FUTURES OPTIONS

LIFFE FT-SE 100 INDEX FUTURES OPTIONS

LIFFE £/$ OPTIONS

LONDON SE £/$ OPTIONS

PHILADELPHIA SE £/$ OPTIONS

LIFFE-EURODOLLAR OPTIONS

LONDON

CHICAGO

JAPANESE YEN (IMM)

DEUTSCHE MARK (IMM)

THREE-MONTH EURODOLLAR (IMM)

U.S. TREASURY BILLS (IMM)

SWISS FRANC (IMM)

STANDARD & POORS 500 INDEX

CURRENCY FUTURES

FT LONDON INTERBANK FIXING

MONEY RATES

LONDON MONEY RATES

MONEY MARKETS

London rates firm

LONGER TERM rates were again a little higher in London as sterling fell during the afternoon. However there were still no thoughts of an early rise in base rates. Six-month interbank money was quoted at 9⅝-9¾ p.c. from 9⅜-9½ p.c. and the one year rate moved up to 9⅞-9¾ p.c. from 9¾-9⅝ p.c. The three-month rate was unchanged at 9⅛-8⅞ p.c.

Short term money traded in a tight range as the market faced a very large shortage. Overnight money started at 8½-8¾ p.c. and moved up to 9 p.c.

The Bank of England forecast a shortage of around £1,200m with factors affecting the market including the repayment of late assistance and bills maturing in official hands together with a take up of Treasury bills draining £334m and Exchequer transactions a further £1,050m. In addition banks brought forward balances £20m below target. These were partly offset by a fall in the note circulation of £195m.

To help alleviate the shortage, the Bank offered an early round of assistance which totalled £282m and comprised outright purchases of £9m of eligible bank bills in band 1, £32m in band 2, £53m in band 3 and £188m in band 4, all at 8⅜ p.c.

The forecast was revised to a shortage of around £1,750m, before taking into account the early help and the Bank gave additional assistance in the morning of £544m through outright purchases of £197m of eligible bank bills in band 1 and £5m of Treasury bills as well as £179m of eligible bank bills in band 2. In band 3 it bought £5m of local authority bills and £57m of eligible bank bills and £91m of eligible bank bills in band 4, all at 8⅜ p.c.

A further revision took the shortage to around £1,900m and the Bank gave help in the afternoon of £778m through purchases of £2m of Treasury bills, £47m of local authority bills and £472m of eligible bank bills in band 1 and in band 2 £5m of Treasury bills and £108m of eligible bank bills. In band 3 it bought £64m of eligible bank bills and a further £84m in band 4, all at 8⅜ p.c. Late help came to £210m.

In Frankfurt the Bundesbank accepted bids of DM6.2bn at its latest 15-day sale and repurchase agreement at a fixed rate of 3.25 p.c. The tender was held a day earlier than usual to coincide with a maturing facility which drained DM4.3bn. Total bids came to DM39bn.

In Paris the Bank of France cut its money market intervention rate to 7½ p.c. from 7¾ p.c. and the seven day sale and repurchase rate to 8 p.c. from 8¼ p.c.

UK clearing bank base lending rate 8½ per cent from December 4

Company Notices

Announcements

Philip N. Christie & Company Limited

are please to report that Charman Underwriting Agencies Limited has been put on the Lloyd's register of managing agents. The management of syndicate 488/532 was transferred to that company with effect from 1st January 1988.
The directors of Charman Underwriting Agencies Limited are:
G.R. Bramall (Chairman),
J.R. Charman (Managing Director),
R.P.W. Hall, R.A. Summers,
N.P. Compton, K. Towers,
Miss G. Arnott, P.C. Hillier,
D.G. Penney.

Educational

Art Galleries

'World Of Drawings And Watercolours Park Lane Hotel, Piccadilly. W1. To be opened by BARRY HUMPHRIES, 12 noon, 20 Jan. 11-8 pm. Last 2 days until 7 pm. Until 24 Jan.

EUROPEAN OPTIONS EXCHANGE

Series		Feb. 88 Vol	Feb. 88 Last	May 88 Vol	May 88 Last	Aug. 88 Vol	Aug. 88 Last	Stock
GOLD C	$ 440	–	–	100	56 A	–	–	$ 477.10
GOLD C	$ 500	104	8	4	20	–	–	$ 477.10
GOLD C	$ 520	50	4	68	12	6	24	$ 477.10
GOLD P	$ 420	–	–	132	3.20	–	–	$ 477.10
GOLD P	$ 440	50	2.50	–	–	–	–	$ 477.10
GOLD P	$ 480	19	13 B	131	20	90	23	$ 477.10
GOLD P	$ 500	153	26.50	7	29.50	–	–	$ 477.10

Series		Jan 88 Vol	Jan 88 Last	Feb 88 Vol	Feb 88 Last	Mch. 88 Vol	Mch. 88 Last	Stock
EOE Index C	Fl. 160	79	23	–	–	–	–	Fl. 181.10
EOE Index C	Fl 165	43	17	20	20 B	–	–	Fl. 181.10
EOE Index C	Fl 185	1185	4	359	9.40	23	12	Fl 181.10
EOE Index C	Fl 190	45	2.20	–	–	–	–	Fl. 181.10
EOE Index P	Fl. 155	14	0.30	46	2	–	–	Fl. 181.10
EOE Index P	Fl 160	44	0.20	–	–	–	–	Fl. 181.10
EOE Index P	Fl 165	244	0.70	36	3.50	38	5.80	Fl. 181.10
EOE Index P	Fl 170	198	1.30	22	5	–	–	Fl. 181.10
EOE Index P	Fl 175	52	2.10	13	7.50 A	–	–	Fl. 181.10
EOE Index P	Fl. 180	70	4.50	148	9	49	11.50	Fl. 181.10
EOE Index P	Fl 185	25	7	58	12	5	15.50	Fl. 181.10
$ Fl C	Fl 180	38	3.80	–	–	108	6	Fl. 183.40
$ Fl C	Fl 185	53	0.80	21	2.40	39	3	Fl. 183.40
$ Fl C	Fl 210	–	–	–	–	75	0.30	Fl. 183.40
$ Fl P	Fl 170	–	–	–	–	42	1	Fl. 183.40
$ Fl P	Fl 175	–	–	69	1.60	46	2.30	Fl. 183.40
$ Fl P	Fl 180	460	1.10	175	2.60 B	60	4.50	Fl. 183.40
$ Fl P	Fl 185	104	2.50	14	6	23	7.20	Fl. 183.40

Series		Jan 88 Vol	Jan 88 Last	Apr 88 Vol	Apr 88 Last	Jul. 88 Vol	Jul. 88 Last	Stock
ABN C	Fl 40	733	1.50 A	79	3.20	126	4	Fl. 40.30
ABN P	Fl 40	56	0.80 B	414	2.50	131	4	Fl. 40.30
AEGON C	Fl 60	155	3.80	70	6.70 B	5	8	Fl. 63.10
AEGON P	Fl 65	40	2.80	–	–	–	–	Fl. 63.10
AHOLD C	Fl 65	187	2.30	44	5.70 B	–	–	Fl. 65.50
AHOLD P	Fl 55	6	0.70	40	2	–	–	Fl. 65.50
AKZO C	Fl 90	424	3.10	110	9.40	11	11	Fl. 89.50
AKZO P	Fl. 90	158	2.70	13	7.80	–	–	Fl. 89.50
AMEV C	Fl. 45	40	0.40 A	163	2.20	5	2.70	Fl. 40.70
AMRO C	Fl 60	64	1.70	330	4.50	–	–	Fl. 60.40
ELSEVIER C	Fl 45	237	2.30	119	4.40	10	6 B	Fl. 45.90
ELSEVIER P	Fl 55	6	9.50	53	10.50	–	–	Fl. 45.90
GIST-BROC. C	Fl. 25	130	0.90	55	2.60 B	2	4	Fl. 24
GIST-BROC. P	Fl 30	36	6.40	6	6.80	–	–	Fl. 24
HEINEKEN C	Fl 130	105	7	57	13.80	–	–	Fl. 134
HEINEKEN P	Fl. 120	64	0.70	8	5	–	–	Fl. 134
HOOGOVENS C	Fl 30	195	0.70	117	2.70	–	–	Fl. 27.30
KLM C	Fl 35	283	0.20	642	2.20	86	3.30 A	Fl. 31.50
KLM P	Fl 30	137	0.70	101	2.40	–	–	Fl. 31.50
NEDLLOYD C	Fl 140	281	13.50	54	23	–	–	Fl. 147
NEDLLOYD P	Fl 130	99	3.40	16	10 A	–	–	Fl. 147
NAT NED C	Fl. 55	198	0.80	637	2.70	19	3.90	Fl. 51.70
PHILIPS C	Fl 30	311	0.40	677	1.30	180	2.20	Fl. 27.10
PHILIPS P	Fl 30	133	3	3	4.90 B	536	5.10 B	Fl. 27.10
ROYAL DUTCH C	Fl 220	344	1.80	836	7.70	101	10	Fl. 211
ROYAL DUTCH P	Fl 200	460	1	399	5.70	11	10	Fl. 211
ROBECO C	Fl. 85	12	1.50	50	5.50	–	–	Fl. 84.50
ROBECO P	Fl 75	36	0.10	–	–	5	4	Fl. 84.50
UNILEVER C	Fl. 100	486	10.50	138	16	8	21	Fl. 110.30
UNILEVER P	Fl 100	268	0.70	46	5	39	10	Fl. 110.30

TOTAL VOLUME IN CONTRACTS : 42,832

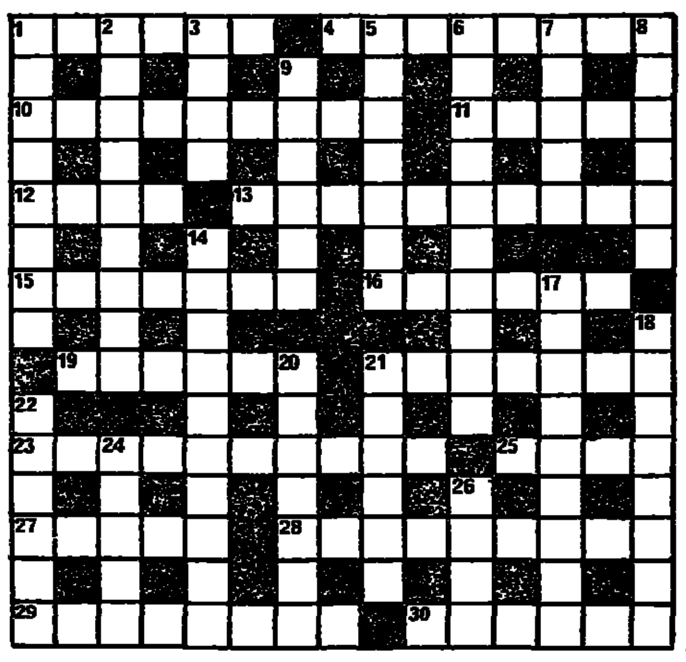
A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

	%		%		%
ABN Bank	8½	● Charterhouse Bank	8½	Nat Bk. of Kuwait	8½
Adam & Company	8½	Citibank NA	8½	NatWestminster	8½
AAB - Allied Arab Bk	8½	City Merchants Bank	8½	Northern Bank Ltd	8½
Allied Dunbar & Co	8½	Clydesdale Bank	8½	Norwich Gen. Trust	8½
Allied Irish Bank	8½	Comm.Bk.N East	8½	PK Finans. Intl(UK)	9
American Exp.Bk	8½	Consolidated Cred	8½	Provincial Trust Ltd	9½
Amro Bank	8½	Co-operative Bank	*8½	R. Raphael & Sons	8½
Henry Ansbacher	8½	Cyprus Popular Bk	8½	Roxburghe G'rantee	9½
ANZ Banking Group	8½	Duncan Lawrie	8½	Royal Bk of Scotland	8½
Associates Cap Corp	10	Equat'l Tst.C'p plc	8½	Royal Trust Bank	8½
Authority Bank	8½	Exeter Trust Ltd	9	Smith & Williams Secs.	8½
B & C Merchant Bank	8½	Financial & Gen. Sec	9	Standard Chartered	8½
Banco de Bilbao	8½	First Nat. Sec. Ltd.	9½	TSB	8½
Bank Hapoalim	8½	● Robert Fleming & Co.	8½	UDT Mortgage Exp	♦10.2
Bank Leumi (UK)	8½	Robert Fraser & Ptnrs.	9½	United Bk of Kuwait	8½
Bank Credit & Comm	8½	Girobank	8½	United Mizrahi Bank	8½
Bank of Cyprus	8½	Grindlays Bank	8½	Unity Trust Bank Plc	8½
Bank of Ireland	8½	● Guinness Mahon	8½	Western Trust	8½
Bank of India	8½	HFC Trust & Savings	8½	Westpac Bank Corp.	8½
Bank of Scotland	8½	● Hambros Bank	8½	Whiteaway Laidlaw	9
Banque Belge Ltd	8½	Heritable & Gen Inv Bk	8½	Yorkshire Bank	8½
Barclays Bank	8½	● Hill Samuel	§8½		
Benchmark Tst Ltd	8½	C. Hoare & Co.	8½		
Berliner Bank AG	8½	Hongkong & Shangh	8½		
Brit Bk of Mid East	8½	Lloyds Bank	8½		
● Brown Shipley	8½	Meghraj Bank Ltd	8½		
Business Mtge Tst	9	Midland Bank	8½		
CL Bank Nederland	8½	● Morgan Grenfell	8½		
Central Capital	8½	Mount Bnkg Corp.	8½		

● Members of the Accepting Houses Committee. * 7 day deposits 3.50% Savemse 6.16%. Top Tier-£2,500+ at 3 months' notice 7.81%. At call when £10,000+ remains deposited. ♦ Mortgage base rate. § Demand deposit 3.49%. Mortgage 10% - 10.25%

FT CROSSWORD No.6,522
SET BY VIXEN



ACROSS

1 Regret split about exercise (6)
4 Might make America scared of such transport (4,4)
10 One person's game – and brilliant (9)
11 Oliver the screw (5)
12 Some consider seasoning essential for tongue (4)
13 Be grateful for rise in value (10)
15 The little toad! (7)
16 Heartless rogue distracted by Oriental and reformed (6)
19 Coming to see a number opening (6)
21 *A single glass can render men cool* (7)
23 Putting in a proportion of the money required (10)
25 The price asked is about right, that's clear (4)
27 Share a charge in retirement (5)
28 Register it – one's complaint, that is (9)
29 *May dread changes. Fancy!* (8)
30 Cap the communist's animosity (6)

DOWN

1 Compliments 13 across over a point made (8)
2 With a fence paid, deals can be arranged (9)
3 *Mark for 21 down* (4)
5 Poles always exhibit some hesitation, he scoffs (7)
6 Men chatted about freedom from prejudice (10)
7 The woman in charge ran it – apparently very well (5)
8 A crossword-composer's pet (6)
9 The plant that's easy to grow? (6)
14 Far-seeing individual (10)
17 A person putting on a coat – red coat or otherwise (9)
18 Lines in a bright colour must be overruled (8)
20 Anger occasioned over a particular sort of painting (7)
21 There's very little time (6)
22 "Just for a — to stick in his coat" (Browning) (6)
24 Turned out new plays (5)
26 Article about a certain region (4)

Solution to Puzzle No.6,521

FIREATRANDOM
A N X U P A E B
DUSTPAN PENANCE
M P O E R T T A
IDEAS BENEDICT
N C U T H O T
INTERCEDED INCH
S E M N D E
TOWN SPIDERSWEB
R E E S E A O
ALLFOURS ADIEU
T L R A V D T N
EROSION ENFIELD
S F E C R U R S
FALSEEYELASH

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

[illegible]

FT UNIT TRUST INFORMATION SERVICE

Scimitar Asset Management Ltd
8 Crosby Sq, London EC3A 6AQ 01-588 4993/4/5

Scimitar Global Gth Acc	25.9	27.6	+0.3	–
Do. Income	25.7	27.4	+0.2	0.19
Scimitar European Acc	20.8	22.2	–0.1	–
Do. Income	20.8	22.2xd	–0.1	0.12
Scimitar UK Eq Inc Acc	35.0	37.3	+0.4	–
Do. Income	33.9	35.7	+0.4	3.49
UK Cap Gth Acc	22.0	23.2	+0.1	0.75
Scimitar Pac Basin Acc	24.6	26.3	–0.5	–
Scimitar Mangd Exempt*	139.9	145.8	+3.9	–

*Unauthorised

Scottish Equitable Fund Mgrs. Ltd(z)
28 St Andrews Sq, Edinburgh 031-558 1051

Intnl Income Units	123.6	131.5	–1.5	3.35
Intnl Accum Units	189.0	201.1	–2.3	3.33
UK General Acc	36.9	39.5	+0.6	3.11
UK General Inc	35.5	38.0	+0.6	3.11
American	26.5	28.3	+0.9	0.64
European	32.8	35.1xd	–0.7	0.94
Japan	48.3	51.7	–0.7	–
Technology	33.8	36.1	+1.1	1.42
Performance Trusts				
Far East Perf Tst	15.9	17.1	+0.7	0.64
High Inc Perf Tst Inc	23.5	25.1	+0.9	5.37
High Inc Perf Tst Acc	23.9	25.6	+0.5	5.37
Worldwide Tech Perf Tst	26.1	27.9	+0.4	–

Scottish Life Investments(z)
19 St Andrew Sq, Edinburgh 031-225 2211

Nelson (UK Equity)	204.5	218.0	+6.4	2.76
Columbus (America)	120.0	128.4	+5.5	1.34
Marco Polo (Pacific)	184.6	197.5	+4.2	0.44
Da Vinci (European)	201.0	215.0	–4.6	1.98
Drake	48.8	52.25	+0.8	3.00

Scottish Mutual Investment Managers Ltd
109 St Vincent St, Glasgow G2 5HN 041-248 6100

UK Equity	196.6	209.2	+4.8	3.05
UK Smlr. Cos. Equity	197.6	210.3	+3.8	2.49
UK Special Situations	56.0	59.6	+1.1	3.38
Income Plus	49.9	53.1	+0.4	6.02
European	152.1	161.9	+0.5	1.80

INSURANCES

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

Phoenix Assurance Co Ltd
Phoenix House, Redcliff Hill, Bristol 0272 294941

Life Assurance Funds				
Wealth Assur	364.4	383.6	-	-
Eb'r Ph. Eq	314.7	334.4	-	-
Pension Plan Funds				
Phoenix				
UK Equity Acc	160.1	168.5	+4.2	-
International Acc	119.6	125.8	+2.5	-
Property Acc	121.8	128.2		-
Fixed Interest Acc	148.4	156.2	+0.4	-
Money Acc	134.8	141.8	+0.1	-
Bldg Soc Link Acc	131.6	138.7		-
Special Mngd Acc	141.0	148.4	+2.6	-
Phoenix Framlington				
Intnl Growth Acc	77.8	81.8	-0.5	-
Amer & Gen Acc	70.4	74.1	+0.4	-
Capital T.J. Acc	163.9	172.5	+0.1	-
Japan & Gen Acc	153.8	161.8	-1.9	-
American Trnr Acc	69.3	72.9	+1.2	-
Recovery T.J. Acc	151.7	159.6	-0.1	-
Special Mngd Acc	129.9	136.7	-0.2	-
Phoenix GT				
International Acc	114.7	120.7	+0.8	-
US & General Acc	84.6	89.0	+0.5	-
Amer Spec Sit Acc	60.0	63.1	+0.2	-
Japan & General Acc	146.5	154.2	-3.2	-
Far East & Gen Acc	118.6	124.9	-2.4	-
UK Capital Acc	162.9	171.4	+0.4	-
European Acc	123.4	129.8	-0.8	-
Special Mngd Acc	117.8	124.0	-0.2	-

Pioneer Mutual Insurance Co Ltd
16 Crosby Rd N, Waterloo, Liverpool 051-928 6655

Managed Fund	260.4	274.2	-	-
Man Pen Int & Cap Fd	332.4	349.9	-	-
Money Fund	110.6	116.5	-	-
Pen Mngd Fd (Init)	83.2	87.4	-	-
Pen Mngd Fd (Acc)	92.2	97.1	-	-
Pen FT30 Fd (Init)	124.1	130.9	-	-
Pen FT30 Fd (Acc)	138.1	145.6	-	-
Pen O'seas Mngd (Init)	49.9	52.6	-	-
Pen O'seas Mngd Acc	55.5	58.5	-	-
Pen Fxd Int Fd (Init)	104.9	110.5	-	-
Pen Fxd Int Fd (Acc)	116.6	122.8	-	-
Pen Deposit Fd (Init)	100.5	105.9	-	-
Pen Deposit Fd (Acc)	111.8	117.7	-	-

Premium Life Assurance Co Ltd
Eastchester House, Haywards Heath 0444 458721

[illegible]	84.0	89.0	+3.0	-
Building Soc. Fd	157.0	166.0		-

Prudential Assurance Co
Holborn Bars, London EC1N 2NH 01-405 9222

Prudfund				
Managed Dec 23	190.4	198.4	-	-

Prudential Holborn Life Ltd
Portland Hse, Stag Place, Ldn SW1E 5BH 01-630 1661

Managed Fd	424.2	446.6	+7.9	-
Equity Fd	870.2	916.0	+20.7	-
Intnl Fd	289.1	304.4	-6.3	-
Fixed Int Fd	352.8	371.4	+0.4	-
Prop Fd	299.7	315.5	+0.1	-
Cash Fd	232.6	244.9	-	-
Pacific Basin Fd	149.2	157.1	+1.1	-
North American Fd	118.6	124.9	+5.3	-
European Fd	127.9	134.7	-3.0	-
Holborn Balanced Gwth Fd	-	-	-	-
Holborn Strategic Gwth Fd	-	-	-	-

Prudential Holborn Pensions Ltd
Portland Hse, Stag Place, Ldn SW1E 5BH 01-630 1661

Managed	447.9	471.5	+9.0	-
Equity	645.7	679.7	+21.4	-
Global Equity	179.9	189.4	+2.9	-
Fixed Interest	362.2	382.3	+0.3	-
Property	299.3	315.1	-	-
Cash	136.7	143.9	-	-
Index Linked Gilt	158.6	167.0	-0.6	-
Guaranteed	9.25	10.25	-	-
International Money	187.1	197.0	-1.1	-
North American Fd	51.1	53.8	-	-
Japanese Fund	99.9	105.2	-	-
European Fund	70.9	74.7	-	-
Special Situations Fd	89.5	94.3	-	-
Commonwealth Fund	76.6	80.7	-	-
Smaller Cos Fund	90.2	95.0	-	-

Prudential Pensions Limited
Holborn Bars, London EC1N 2NH 01-405 9222

Discretry Dec 23	£117.59	121.10	-	-
Equity Fund Dec 23	£125.98	129.82	-	-
Intnl Fund Dec 23	£19.54	20.19	-	-
Intl Bond Fd Dec 23	£10.04	10.18	-	-
Fixed Int Dec 23	£64.64	65.47	-	-
Index Linked Dec 23	£48.27	48.87	-	-
Property Fund Dec 23	£76.93	81.64	-	-
Cash Fund Dec 23	£19.9340	19.9340	-	-

Pre-Linked Retirement Plan

[illegible]

MANAGEMENT SERVICES

[illegible]

OFFSHORE AND OVERSEAS

[illegible]

FT UNIT TRUST INFORMATION SERVICE

Frobisher Fund Limited

GT Investment Mngmnt Co SA

GT Management Plc

Gartmore Fund Managers Ltd.

Aussenmbl GENERALI SpA

Gertrust SA

Global Asset Management Corp.

John Govett Mngmnt International Ltd

Granville Management Limited

Grindlays Cantrade Intl Mgt Co Ltd

Grofund Invest Managers (Guernsey) Ltd

Group One Limited

Guinness Flight Fund Mgrs (Guernsey) Ltd

Hambro Pacific Fund Mgmt Ltd

Henderson Fd Mgrs (CI) Ltd

Hanseat International Ltd.

Health 2000 Limited

Henderson Admin. (Guernsey)

Henderson Management SA

Henderson Global Strategy Mngmt SA

Hill Samuel Fd. Mngrs. (Guernsey) Ltd

Hill Samuel Investment Services Intl SA (Jersey)

Hambro Financial Services (CI) Ltd

IBJ Global Funds Limited

I.G. Trust Managers Ltd

The India Fund

Indosuez Asia Investment Services Ltd

ITEC Beheer B.V.

International Bond Trust

International Cash Portfolios

International Speciality Fund

Investissements Atlantiques SA

Ivory & Sime (Guernsey) Ltd

Jardine Fleming & Co Ltd

Leopold Joseph & Sons (Guernsey)

Kleinwort Benson Group

Kleinwort Benson (Guernsey) Fd Mngrs Ltd

Kleinwort Benson Islamic Fd Mgmt Ltd

Korea Growth Trust

Korea International Trust

Lazard Brothers Funds

Le Fonds International Compass

Liberty ALL-STAR World Equity Portfolio

Lloyds Bank (CI) U/T Mgrs.

Lloyds Bank Geneve Switzerland

Lloyds Intl. Money Market Fund Ltd

London Interstate Fund Managers Ltd

M & G (Cayman) Ltd

M & G Island Fund

McDonnell & Co (Bermuda) Ltd

Man International Futures

Manufacturers Hanover Geoinvest

Mediterranean Fund (SICAV)

Midland Bank Tst. Corp. (Jersey) Ltd

MIM Britannia International Limited

Minerals, Oils Res. Shrs. Fd. Inc.

Multi-Currency Bond Portfolio

MIM Britannia Int Asset Mgmt (CI)

NM Rothschild Asset Mgmt (CI)

National Mutual Insurance Co (Bermuda) Ltd

Nat. Westminster Jersey Fd. Mgrs. Ltd

Newport International Management

The New Zealand Fund

Nikko Intl. Cap. Mngt. Co (Europe) Ltd

Nikko Luxembourg S.A.

Nomura Growth Fund SA

Nomura Capital Management

Norwich Union Intl. Fund Mgrs. (Jersey) Ltd

North Star Fund Managers (Jersey) Ltd

Norway Fund Management A/S

Oppenheimer Securities Ltd

Orbitex Bahamas Ltd

PFC International Portfolio Fd Mngt Ltd

PFC International

Pacific Basin Fund

Pacific Growth Fund

Parisbas Bond Fund SA

Perpetual UT Mngrs (Jersey) Ltd

Pierson Holdings & Pierson

Premium Life International Ltd

Protected Performance Fund

Providence Capital International Ltd

Prudential Intl Financial Services Ltd

Putnam International Advisors Ltd

Quantum Fd NV Curacao

Reserve Fund

Rothschild Asset Management (CI)

Schroders Asia Limited

Schroder Worldwide Selection Fund Limited

Scrimgeour Kemp-Gee Mngmt, Jersey

Seoul International Trust

Simon International Fund—SICAV

Singer & Friedlander Ldn. Agents

Skandifond

Societe Generale Merchant Bank plc

Standard Bank Fund Managers

Standard Chartered Off. Money Mkt Fund

Sterling Offshore Fund Admin. Ltd.

Strategic International Gold Fund S.A.

Strategic Metals Corp plc Metal Funds

Stronghold Investment Mngrs Ltd

Sun Alliance International Life

TSB Trust Funds (CI)

Taipei Fund

Taiwan (ROC) Fund

Target International, Management (Jersey) Ltd

Target International (Isle of Man) Ltd

The Thailand Fund

Thornton Management Ltd.

Top Brand Fund Intl—SICAV

Touche Remnant (Guernsey) Limited

Tramontic Bond Trust

Tyndall International (Bermuda) Ltd

Tyndall International (Guernsey) Ltd

Tyndall International (Isle of Man) Ltd

Tyndall International (Jersey) Ltd

USA Income Portfolio

US Federal Securities Fund SA

US Pacific Stock Fund

U.S. Treasury Securities Fund S.A.

Unico Invest Fd Mgt Co SA Lux

Unilife Group

Union-Investment-Gesellschaft GmbH

Viking Fund—SICAV

Warburg Investment Management Jersey Ltd

Warburg Intl Fund Managers (Jersey) Ltd

Warburg Investment Services Ltd

Wellington Fd Mngrs (Guernsey) Ltd

World Bond Fund—SICAV

World Capital Groth Fd—SICAV

World Fund S.A.

World Wide Growth Management

Worldinvest Fund Management Ltd

Yamaichi Capital Mngt (Guernsey) Ltd

Yamaichi Dynamic Mngt Co SA

Money Market Trust Funds

Charities Aid Funds Money Mngmt Co Ltd

The Charities Deposit Fund

Oppenheimer Money Management Ltd

Money Market Bank Accounts

AAB—Allied Arab Bank Ltd

Adam & Co. plc

Allied Trust

Bank of Ireland

Bank of Scotland

Barclays Prime Account

Beneficial Trust Ltd Premier Account

Brown Shipley & Co Ltd

Charterhouse Bank Limited

Citibank Savings

Co-operative Bank Cheque & Save

Darlington & Co Ltd

Girobank plc High Interest Savings

Grofund Mgrs/Allied Irish Bank

Henderson/Bank of Scotland

Humberclyde Finance Group

Legal & General (Money Mngrs) Ltd

Lloyds Bank High Interest Cheque Account

M & G/Kleinwort Benson

Midland Bank plc

M.I.M. Britannia Ltd

NatWest Special Reserve Account

Oppenheimer Money Mngmt Ltd

Phillips & Drew Trust Ltd

Provincial Trust

Royal Bank of Scotland plc

Save & Prosper/Robert Fleming

Tyndall & Co

J. Henry Schroder Wagg & Co Ltd

Western Trust & Savings Limited

Wimbledon & South West Finance Co Ltd

UNIT TRUST NOTES

LONDON SHARE SERVICE

BRITISH FUNDS

1987/88 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
99⅝	97⅝	Treas 7¾pc 1985–88‡‡	99⅞xd		7.76	8.93
102¼	99⅞	Exch 10½pc '88	100⅝		10.44	8.62
101⅜	98⅝	Treas 9¾pc Cv '88	100⅜		9.72	8.85
98¼	93¾	Transport 3pc '78–88	98¼		3.05	6.53
101⅝	98¾	Treas. 9½pc '88	100⅛	–⅛	9.47	9.02
105⅞	101⅞	Treas 11½pc 1989	102⅜		11.24	9.18
102⅝	97⅝	Treas 9½pc Cnv 1989	100⅜		9.47	9.15
96⅛	89¼	Treas 3pc 1989	95⅜	–⅛	3.14	6.47
104⅜	99⅞	Treas 10¼pc 1989	101⅜	+⅛	10.32	9.06
103⅜	98⅛	Exch 10pc 1989	101⅛xd	+⅛	9.88	9.19
105⅝	100⅛	Exch 11pc 1989	102⅜		10.71	9.23
96⅛	89⅞	Treas 5pc 1986–89	95⅛		5.24	7.77
108⅜	99⅞	Exch 10½pcCv '89	102⅜	–⅛	9.98	8.63
111⅜	104⅞	Treas 13pc 1990‡‡	106⅞xd	–⅛	12.16	9.19
106⅝	100⅞	Exch 11pc 1990‡‡	103⅛	+⅛	10.66	9.25
110⅜	103⅞	Exch. 12½pc 1990	106⅛		11.75	9.23
92⅞	84½	Treas. 3pc 1990	91⅛	+⅛	3.27	6.94
100⅜	93⅞	Treas 8¼pc 1987–90‡‡	99⅛	+⅛	8.31	8.59
52¼	50	Tr. 8pc Cv 1990 (50pd)	51¼	–⅛	8.16	8.90
105	97½	Treas. 10pcCv 1990	101⅞		9.82	9.23
91⅜	81⅜	Exch 2½pc 1990	88⅞	+⅛	2.81	6.79
110⅜	102⅞	Treas 11¾pc 1991	106⅛xd	–⅛	11.03	9.22
95⅜	87⅛	Funding 5¾pc '87–91‡‡	93⅛	+⅛	6.17	8.17
90⅜	80⅝	Treas. 3pc 1991	87⅞	+⅛	3.41	7.06
110⅜	98½	Treas 10pc Cv '91 ‡‡	103⅛xd	–⅛	9.69	8.94
109⅝	101⅞	Exch. 11pc 1991	105⅜	–⅛	10.42	9.22
99	91⅞	Treas. 8pc 1991	96⅜	–⅛	8.31	9.14
116⅜	107⅜	Treas 12¾pc 1992‡‡	111⅜xd	–⅛	11.45	9.32
106⅜	97⅝	Treas 10pc 1992	102¼	–⅛	9.78	9.32
99⅛	90⅞	Treas. 8pc 1992 ‡‡	95⅞	–⅛	8.34	9.15
108⅜	99½	Treas 10½pc Cv 1992‡‡	104⅛	–⅛	10.09	9.32
86⅛	79⅜	Treas. 3pc 1992	84⅛		3.55	7.15
115⅝	105⅞	Exch. 12¼pc '92	110⅜	–⅛	11.11	9.43
121⅜	110⅞	Exch 13½pc 1992	114⅞	–⅛	11.75	9.49
		Five to Fifteen Years				
107⅜	97⅛	Treas 10pc 1993‡‡	102⅛	–⅛	9.78	9.43

BRITISH FUNDS — Contd

1987/88 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
134⅜	116⅛	Exch. 12pc '13–'17	124⅛	–⅛	9.68	9.49
		Undated				
45⅝	39⅞	Consols 4pc	42⅛xd	–⅛	9.45	–
41⅜	34⅞	War Loan 3½pc‡‡	37⅛	–⅛	9.34	–
52⅜	46⅛	Conv. 3½pc '61 Aft	49⅛	–⅛	7.11	–
34⅜	29⅞	Treas. 3pc '66 Aft	31⅛	–⅛	9.39	–
29⅜	24⅞	Consols 2½pc	26⅛xd		9.51	–
29⅜	24⅞	Treas. 2½pc	26⅛	–⅛	9.45	–

Index-Linked

1987/88 High	Low	Stock	Price £	+ or –	(1)	(2)
133⅛	125½	Treas. 2pc '88(297.1)	133⅛	+⅛	–	–
119⅛	108⅞	Do. 2pc '90(333.9)	117⅞xd	+⅛	1.15	2.47
101⅛	95⅛	Do. 2pc '92‡‡ (385.8)	99⅞	+⅛	2.14	2.80
130⅞	119⅛	Do. 2pc '96(267.9)	129⅞	+⅛	3.38	3.71
111⅛	96⅛	Do 2½pc '01 (308.8)	107	–⅛	3.82	4.11
110	94⅛	Do. 2½pc '03(310.7)	104⅞	–⅛	3.84	4.11
113⅞	94⅞	Do. 2pc '06(274.1)	105⅞xd	–⅛	3.86	4.10
108	89⅞	Do. 2½pc '09(310.7)	99⅞	–⅛	3.86	4.09
113⅞	93⅛	Do. 2½pc '11(294.1)	103⅞	–⅛	3.85	4.06
95⅞	76⅛	Do. 2½pc '13(351.9)	85⅛	–⅛	3.84	4.04
109⅜	83⅞	Do. 2½pc '16(322.0)	92⅛xd	–⅛	3.79	3.99
101⅜	81⅛	Do. 2½pc '20 (327.3)	90⅞	–⅛	3.71	3.90
86⅜	68⅜	Do. 2½pc '24 ‡‡(385.3)	76⅞xd	–⅛	3.66	3.83

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing, ie 8 months prior to issue. RPI for April 1987:101.8 and for November1987: 103.4
(rebased at 100 January 1987 conversion factor 3.945).

INT. BANK AND O'SEAS GOVT STERLING ISSUES

1987/88 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
113⅛	97⅛	African Dv Bk 11½Ln 2010	102⅞xd	–⅛	10.83	10.80
109⅞	93	Asian Dev Bk 10½pcLn2009	98⅞	–⅛	10.37	10.37

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

1987/88 High	Low	Stock	Price £	+ or –	Div % Gross	Red. Yield
53	42	Greek 7pc Ass.@	45		3.50	f7.42
52	40	Do. 6pc 28 Stb. Ass	45		3	f6.37
50	45	Do 4pc Mixed Ass	45		2	f4.44
66	58	Hung. '24 Ass@	63		2.75	f4.22
146½	122⅞	Hydro Quebec 15pc 2011	132⅞	–⅛	14.97	11.29
136⅛	115½	Iceland 14½pc Ln 2016	120⅞	–⅛	14.42	11.99
103½	94	Ireland 9¾pc '91–96	99⅞		9.75	10.35

AMERICANS

1987/88 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
42	23⅛	Abbott Laboratories‖	26⅛	+⅛	$1.00	–	2.1
40⅛	20⅛	Alcoa $1	27⅛	+2⅛	$1.20	–	2.4
187⅛	420p	♦Allegheny & W $0.01	545p		30c	–	3.0
19⅛	7⅞	Amax $1	11⅛	+⅛	–	–	–
30⅛	13½	Amdahl 5c	20½	+1⅛	20c	–	0.5
35⅛	18⅛	Amer. Cyanamid $5	23⅛	+1⅛	$1.05	–	2.5
25⅛	11⅞	Amer. Express $0.60	12⅞xd	+1⅛	76c	–	3.2
12⅛	636p	Amer. Medical Int. $1	721p	+47	♦72c	–	5.5
22½	14⅛	American T. & T. $1	15⅛	+1⅛	$1.20	–	4.3
65½	43½	Ameritech $1	47	+1⅛	♦$4.72	–	5.5
24⅛	14⅛	Amfac‖	17⅛	+½	–	–	–
25	16	Anheuser-Busch $1	18xd	+⅛	60c	–	1.8
98p	33p	♦AridTech‖	33p		–	–	–

Continued on next page

LONDON SHARE SERVICE

AMERICANS — Contd

[illegible]

CANADIANS

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS — Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES — Contd

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING — Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.) — Contd

[illegible]

INDUSTRIALS (Miscel.) — Contd.

[illegible]

INSURANCES

[illegible]

LONDON SHARE SERVICE

INSURANCES — Contd

1987/88 High	Low	Stock	Price	+ or —	Div Net	C'vr	Y'ld Gr's	P/E
516	300	Pearl Group 5p	478	+1	†10.5	—	3.1	—
*£11¼	733	Prudential	853	+23	†29.0	—	4.7	—
598	350	Refuge 5p	453		15.75	—	4.8	—
595	345	Royal	428	+26	†q15.5	—	5.0	—
110	65	Sabire Ins. Ins.	70		—	—	—	—
*345	168	Sedgwick Group 10p	222	+2	12.0	1.7	7.4	9.5
339	138	Steel Burrill J.10p	160		†9.0	2.0	7.7	8.9
612	303	Stenge Hldgs 20p	321	+2	†6.0	2.5	2.6	21.0
£12½	645	Sun Alliance	856	+1	†23.5	—	3.8	—
£13	865	Sun Life 5p	985	+22	†28.5	—	4.0	—
[illegible]	[illegible]	♦Taisho M EDR	[illegible]	−½	[illegible]	—	1.1	—
£22¼	£12⅝	Torchmark $1.00	£13⅝	+⅞	Q$1.00	—	3.9	—
410	235	Trade Indemnity	357		†4.3	—	1.6	—
£34	£17¾	Travelers $1.25	£19½	+1¼	$2.28	—	6.3	—
£30¼	£15⅛	USF & G Corp $2.50	£16⅛	+⅞	Q$2.48	—	8.4	—
£35⅝	£15⅝	USLIFE Corp. $1.0	£15⅝	+⅛	Q$1.28	3.2	4.6	6.9
738	525	Wind Friendly B 10p	530	−10	21.0	—	5.6	—
464	192	Willis Faber 12½p	239	+7	†10.75	2.4	6.2	9.1
128	41	Windsor Secs. 10p	61	+3	†0.7	1.5	1.6	—

LEISURE

1987/88 High	Low	Stock	Price	+ or —	Div Net	C'vr	Y'ld Gr's	P/E
35½	10	A & M Group 10p	13		—	—	—	—
242	77	Airtours 10p	102	+2	L6.4	♦	7.7	♦
*549	253	Anglia TV	359	+6	†11.25	3.3	4.3	10.0
194	77	♦Aspinall Hldgs. 10p	143		†6.0	1.2	5.8	22.3
141	62	♦Ausco 1p	77	+4	0.5	6.7	0.9	21.8
72	40	♦BCE Hldgs 5p	45	+1	L40.0	♦	3.0	♦
309	132	Barr & W.A.T. 'A'	180		†8.0	1.4	6.1	14.7
58	21	Bond Media	23		—	—	—	—
235	165	Boosey & Hawkes	172	+2	—	—	—	—
83	28	♦Border T.V.	43	+2	1.4	2.4	4.5	12.5
*439	43½	Brent Walker 10p	295	+4	†6.5	2.2	4.4	14.2

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PAPER, PRINTING, ADVERTISING — Contd

PROPERTY

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TEXTILES — Contd

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

TRUSTS, FINANCE, LAND — Contd

Finance, Land, etc

OIL AND GAS

OIL AND GAS — Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES — Contd

Tins

Miscellaneous

THIRD MARKET

NOTES

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

IRISH

TRADITIONAL OPTIONS

3-month call rates

A selection of Options traded is given on the London Stock Exchange Report Page

Account Dealing Dates			
*First Dealings	Option Declarations	Last Dealings	Account Day
Dec 21	Jan 7	Jan 8	Jan 18
Jan 11	Jan 21	Jan 22	Feb 1
Jan 25	Feb 4	Feb 5	Feb 15

*New time dealings may take place from 9.00 am two business days earlier.

Dollar earning stocks lead fresh advance by equities but auction news hits Gilts

THE LONDON stock market, taking its cue from the strong gains in New York and Tokyo overnight, continued to surge ahead yesterday in response to the upturn in the US dollar. The lead was given by shares in the major dollar-earning companies, but a substantial increase in trading volume also bore witness to further activity in British Petroleum and Britoil, and in bank stocks, which responded to reports that agreement has been reached on UK tax relief against overseas loan provisions.

By contrast, however, UK Government bonds fell back, as weakness in sterling was followed by the announcement of a heavy addition to market supply in the form of £1bn of Treasury 8 3/4 per cent 1997 stock, to be auctioned on January 13.

News of a new Gilt stock had been widely expected, but the formal announcement was a slight disappointment, both in terms of size and maturity of the issue to be offered in what is the third and last of the experimental bond auctions introduced since Big Bang. The market suffered "quite a flurry" on the announcement, to quote one leading dealer, and final losses ranged more than ½ point in the medium dates, which must compete with grey market dealings in the new stock ahead of the auction. Longer dates suffered slightly smaller falls.

The equity market was in strong form throughout the session, and gathered pace as firmer trends in European bourses underlined confidence that Wall Street and Tokyo would continue to rise strongly. With the new session on Wall Street bringing an early gain of nearly 40 points, London closed strongly, although off the top.

At best, the FT-SE 100 was 50 points up and within two points of 1800 mark last challenged just before Christmas. By the close, however, the Index had settled back to 1789.6, for a net gain of 42.1. The first two trading days of the New Year have brought a recovery of 4.5 per cent in London's equity market as the US dollar has reversed the slide suffered in the Far East while European and US markets were closed over the Christmas period.

Equity turnover of £585.5m at 5.00pm yesterday was almost double that of Monday's session. DataStream put the day's gain in equity values at £8.47bn.

The revival of the dollar's fortunes was quoted on all sides as the single most important factor behind the upswing in equities. However, equity analysts also pointed out that the investment institutions, known to be flush with cash, have completed their year end window dressing operations and, backed by confidence in the outlook for the UK economy, are seeking bargains in the stock market.

Overseas earning stocks, such as **ICI, Glaxo, Jaguar** and **Beecham**, were all strong yesterday. Improved crude oil prices brought heavy turnover in energy stocks. Revised profit forecasts from **British Petroleum**, disclosed in view of the closure at 1500 GMT today of the official price support scheme for the partly-paid shares, did nothing to slow the pace of support for BP.

The only weak equity sector was the retail area where doubts over the outcome of the all-important Christmas trading season brought profits downgrading by some brokerage analysts.

Gilt-edged had an uncomfortable session, which ended with some signs of strain as traders viewed the prospects presented by the new stock. Added to the £2.6bn of 1997 stock already in the marketplace, the new issue presents traders with £3.6bn of this medium dated issue, making it the largest at present on their trading books. Moreover, ten year stocks have proved difficult to sell to UK institutions, and overseas interest has been lagging recently.

The funding move came a little sooner - and on a slightly larger scale - than expected, in view of the absence of borrowing pressures on the authorities. Analysts pointed to yesterday's disclosure of the UK currency reserve totals for December indicating increased intervention in the currency market, as a possible reason for a £1bn funding, rather than the £800m widely expected.

BP remained the focus of attention in the oil share market as the Kuwait Investment Office continued to add to its stake ahead of the closure of the Bank of England's 70p a share safety net which ends today at 3 pm.

Turnover in BP's partly-paid accelerated yesterday to 66m shares, indicating that the KIO stake in BP is now approaching the 20 per cent level after the large scale buying of the past two days; the last official notification of the BP stake by the KIO said it's holding was 18.34 per cent. BP partly-paid shares were ½ up at 72p.

BP "old" made further progress to close another 4 higher at 263p with turnover expanding rapidly to more than 11m shares. Sentiment in the shares was unsettled momentarily during the morning when BP reduced the profits forecast made in October owing to "lower crude oil prices and the weakening of the dollar". BP said historical profits after tax for the year to the end of December "will be in the region of £1.35 bn" compared with the previous forecast of £1.45 bn.

Britoil shares were a shade easier at 446p, after a record 450p, with Salomon Bros, believed to have been acting on behalf of Atlantic Richfield, thought to have picked up around a further 2m shares to add to its stake of 21.25 per cent.

The latest appreciation in crude oil prices gave a boost to other oil and gas shares. **British Gas** added 3¾ to 131½p on a turnover of 16m. **Ultramar**, helped by a "buy" recommendation from Japanese securities house Nomura, jumped 11 to 185p. **Enterprise**, amid vague talk that a good drilling report is imminent, added 10 at 268p. **Clyde** provided one of the day's features with shares showing a backwardation at one point when bid rumours and a stock shortage triggered a sudden and sharp upturn to 118p; at the close the shares were a net 10 higher at 115p.

Beecham were a particularly good market, moving ahead strongly to 481p before settling below the best with a rise of 19 on the day at 474p. Some 3.5m shares were traded.

Buying interest was stimulated both by currency factors and by a symposium held yesterday at the University of London on cardio vascular drugs, at which Beecham's BRL 34915 was expected to feature.

Banks took heart from a report of favourable tax treatment on provisions for third world debts and made rapid progress. Sentiment improved noticeably in the banks most exposed to the debt problems with **Standard Chartered** especially favoured and finally 30 up at 495p, after 500p.

Business in the Building sector expanded, notably among second-line issues, and prices were quick to respond. Renewed demand on takeover hopes saw **Blue Circle** rise 8 to 444p, while support following the setting up of a joint venture company with Lone Star Industries of the US boosted **RMC** 15 to 445p; Mr. Angus Phaure, building analyst at securities house County NatWest is especially keen on the latter and reckons that RMC could reap sizeable benefits from the latest operation. **Costain** benefited from favourable comment and put on 11 to 284p and **Barratt Developments** gained 9 to 184p. **Magnet** continued to rise, despite the absence of the rumoured dawn raid, and closed 3 higher at 213p.

Currency influences plus the re-emergence of bid speculation gave the Chemical sector a healthier look. **ICI** were bought as the US dollar staged another good rally and the close was ¾ higher at £11⅛. **Laporte** advanced 20 to 422p and **Allied Colloids** gained 8 more to 124p. **Wardle Storeys** were 15 up at 515p and old takeover favourite **Ellis and Everard** rose 10 to 157p. **Sutcliffe Speakman** attracted good support and gained 18 to 139p, while **Rentokil** put on 16 to 192p. **Amersham International** continued to attract buyers and rose 13 to 458p; the Government holds a "golden share" in the company but this is no longer seen as an obstacle for a potential bidder following BP's offer for Britoil.

The retail sector was alive with features, most notably **Freemans** after **Sears** announced an increased and final offer of 315p cash a share valuing Freemans at £477m. Freemans shares closed 13 higher at 311p on a turnover of more than 11m after the news. Sears' initially offered 265p a share for Freemans. The offer drew a quick response from Freemans who said in a statement that the long term interests of shareholders would best be served by staying with Freemans and urged holders to take no action.

The leading stores were hit by news of numerous profits downgradings by many top securities houses. **Ratners** were particularly upset by a 6 per cent profits downgrading by Wood Mackenzie who lowered its forecast for the current year to £47.5m; Ratners shares dipped 11 to 237p. **Next**, where Scrimgeour Vickers were thought to have lowered their forecast, lost 8 to 286p, while **Marks and Spencer**, where SBCI Savory Milln are thought to have revised downwards their estimates, lost 6 to 178p. **Storehouse**, where Smith New Court took a more negative view, managed a minor gain at 258p.

The absence of any hard news on the takeover front triggered a wave of selling in **Tip Top Drugstores** which retreated 21 to 113p.

Cable & Wireless moved up 13 more to 360p with over 7m shares moving through the SEAQ system; the latest bout of buying interest prompted by the firm dollar and shareholders' approvalof the proposed merger of Hong Kong Telephone and Cable & Wireless (Hong Kong).

Buyers remained a little wary of Food stocks and the sector had no more than a selectively firm appearance. Nevertheless, **Cadbury Schweppes** were once again a firm feature on a combination of currency influences and bid speculation and rose 12 more to 252p. **United Biscuits** revived with a gain of 6 at 276p, while **S. & W. Berisford** rose 16 to 316p. Against the trend, recently-firm **Northern Foods** ran into profit-taking and closed 7 off at 268p. Retailers showed **J. Sainsbury** 6 higher at 229p and **Kwik Save** 3 better at 312p. **Argyll** hardened a couple of pence to 194p prior to closing unchanged at 192p as a line of 1½m shares was placed around the 191p level. It was subsequently announced that Mr. James Gulliver had sold 1½m shares in the company, 1 million at 191p and ½ million at 192p. Old takeover favourite **Bejam** firmed 4 to 190p.

Major international stocks responded strongly to the continued advance in the dollar. Marketmakers reported a more active trading session than of late with a fresh early rise on Wall Street giving a further boost to sentiment. **Pilkington** were one of the more briskly traded stocks (some 7.3m shares changed hands) amid continuing hopes that **BTR** may return with a fresh offer for the company; Pilkington closed 11 up at 240p. **BOC** (2.3m shares traded) advanced 18 to 423p while **Glaxo** advanced ¾ to £10¼ in a volume of 3.76m. **Hanson** closed 7½ to the good at 135p following completion of the Kidde acquisition accompanied by news of the sale of its Brazilian paint operations, Tintas Ypiranga, to Akzo NV for $22.3m. **Reed International** advanced 24 to 421p in a low volume of trade (1.1m) as Rupert Murdoch stake speculation resurfaced.

Other dollar sensitive stocks recorded some good gains. **British Aerospace**, particularly hard hit of late by worries about the impact of currency influences on its civil aircraft division, rallied strongly to close 19 dearer at 351p. **Cookson** advanced 33 to 557p and **English China Clays** 21 to 420p while **Reuters** B moved up 32 more to 547p. **Rank Organisation** also stood out with a gain 27 at 588p; the preliminary figures are expected to be announced towards the end of this month. **F.H. Tomkins**, reflecting the announcement that the company has established an ADR facility with Morgan Guaranty Trust of New York, advanced 16 to 240p. Still responding to the success of the recent offer of new shares to finance the Berger Jenson Nicholson acquisition, **Willaims Holdings** were good again at 245p, up 19. **J.H. Fenner**, in contrast, ran into selling after the previous days speculative run on bid hopes, and closed 10 cheaper at 164p. **British Airways** were active and closed 13 higher at 162p.

The Motor sections benefited not only from the dollar's extended recovery but also from the recent bullish view on prospects by Midland-based broking house, Albert E.Sharp. **Jaguar** were prominent and gained 16 to 334p, being aided by newspaper comment, while **Dowty** spurted 14 to 186p and **Lucas Industries** a like amount to 578p. The emergence of bid talk added spice to trading in **Armstrong Equipment**, which rose 8 to 158p.

Newspapers attracted increased inquiries from investors ahead of tomorrow's preliminary statement from **Associated**. Analysts' estimates of the group's profits range from £55m to £65m, and Luke Johnson, researcher at Kleinwort Grieveson Securities, is forecasting £63m with earnings per share of 30p. Associated settled slightly below the session's highest with a gain of 11 to 468p while competing group **United** spurted 20 to 440p. **Maxwell Communication** rose 12 to 256p and also announced another small acquisition. **Bunzl** were a feature elsewhere, rallying 10 to 174p.

US influences boosted selected Advertising Agencies, namely **Saatchi & Saatchi**, 16 higher at 445p, and **WPP**, 50 up at 453p. The latter stock has obtained a NASDAQ listing in the US. Also popular were **Yellowhammer**, 10 dearer at 148p, and **WCRS** which put on 14 to 242p. **Brunning** advanced following the return to profitability at the half-way stage, and ended 10 firmer at 220p.

BAT Industries were one of the day's best performers, gaining 25 to 470p in response to the improved prospects for overseas earners.

Traded option activity expanded sharply. Contracts totalled 43,033 comprising 29,518 calls and 13,515 puts. **Hanson** were active and registered 3,152 calls and 2,815 puts. **Pilkington** calls were in demand, contracts totalled 1,092, amid revived BTR takeover hopes. **Bat Industries** attracted 1,576 calls and 985 puts. The **FTSE** contract registered 1,476 calls and 1,065 puts.

FINANCIAL TIMES STOCK INDICES

	Jan. 5	Jan. 4	Dec. 31	Dec. 30	Dec. 29	Year Ago	1987/88 High	1987/88 Low	Since Compilation High	Since Compilation Low
Government Secs.	88.37	88.47	88.49	88.69	88.82	84.49	93.32 (8/5/87)	83.73 (19/10/87)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	94.72	94.61	95.07	95.08	95.07	90.83	99.12 (15/6/87)	90.23 (2/1/87)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1437.1	1402.0	1373.3	1408.0	1382.3	1334.3	1926.2 (16/7/87)	1232.0 (9/11/87)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	295.9	298.9	302.1	305.3	309.1	315.6	497.5 (4/8/87)	261.6 (6/11/87)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	4.33	4.44	4.53	4.42	4.49	4.29				
Earnings Yld. %(full)	10.84	11.10	11.33	11.06	11.25	10.16				
P/E Ratio (net)(*)	11.31	11.04	10.82	11.09	10.90	12.08				
SEAQ Bargains (5pm)	27,878	17,944	15,800	16,546	19,644	34,339				
Equity Turnover (£m)	-	448.38	431.74	774.07	735.19	1326.57				
Equity Bargains	-	17,165	16,723	17,909	18,943	45,467				
Shares Traded (ml)	-	246.0	214.0	272.7	260.4	484.4				

S.E ACTIVITY

Indices	Jan. 4	Dec. 31
Gilt Edged Bargains	85.0	55.6
Equity Bargains	111.2	108.3
Equity Value	906.3	872.7
5-Day average		
Gilt Edged Bargains	62.9	60.1
Equity Bargains	109.0	118.6
Equity Value	1245.6	1493.2

♥ Opening	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1429.5	1433.4	1427.8	1432.0	1435.2	1439.7	1439.7	1436.2

Day's High 1443.2 Day's low 1426.6

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, S E Activity 1974, * Nil=11.19.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-0898 123001

Traditional Options

- First dealings Jan 4
- Last dealings Jan 15
- Last declarations Apr 7
- For Settlement Apr 18

For rate indications see end of London Share Service

Dealers reported a fair amount of interest in the Traditional option market yesterday. Stocks dealt in for the call included **Joseph Webb, British Petroleum partly paid (Reg), North Kalgurli, Benjamin Priest, Hartons Group, Astra Holdings, Eagle Trust, Sears, Sound Diffusion, New England Properties, Ossory Estates and Aberdeen American Petroleum.** A put was arranged in **Suter**, but no double options were reported.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Stock	Volume 000's
Enterprise Oil	1,000	Prudential	1,000
[illegible]	2,500	Racal	2,200
Gen. Accident	352	Rank Org.	773
Gen. Elect	6,300	RMC	291
[illegible]	3,500	RHM	537
Globe Investment	1,400	Reckitt & Col.	179
[illegible]	736	Redland	591
Grand Met	2,400	Reed Intl.	1,100
[illegible]	529	Reuters	1,900
Guardian R.E.	878	RTZ	1,700
[illegible]	1,400	Rolls-Royce	6,400
Guinness	1,500	Rothmans	961
Hammerson	872	Rowntree	512
Hanson Trust	30,000	Ryl Bank Scotland	401
Hawker Sidd.	655	Royal Insurance	3,500

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	60	35	21
Corporations, Dominion and Foreign Bonds	4	26	22
Industrials	866	149	551
Financial and Properties	391	30	217
Oils	54	8	49
Plantations	[illegible]	[illegible]	[illegible]
Mines	35	69	95
Others	146	13	92
Totals	1,564	331	1,052

NEW HIGHS AND LOWS FOR 1987

FT - ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS

Figures in parentheses show number of stocks per section

FIXED INTEREST

LONDON TRADED OPTIONS

LONDON RECENT ISSUES

EQUITIES

FIXED INTEREST STOCKS

RIGHTS OFFERS

WORLD STOCK MARKETS

CANADA

TORONTO
Closing prices January 5

Sales	Stock	High	Low	Close	Chng
40865	Laidlaw A	$19⅛	18⅝	18¾	+⅝
380435	Laidlw B f	$18½	17¾	18	+¼

F – No voting rights or restricted voting rights.

WE REGRET that this listing is incomplete due to computer problems.

MONTREAL
Closing prices January 5

Sales	Stock	High	Low	Close	Chng
102519	Bank Mont	$27⅛	26⅞	27	+¼
7885	BombrdrA	$07⅝	07¼	07⅜	+⅛
76290	BombrdrB	$07½	07⅜	07½	+¼
23350	CB Pak	$16	15⅝	15⅝	−⅛
45889	Cascades	$07	06⅝	06⅞	+⅛
10200	CIL	$27½	27¼	27½	+⅜
14500	ConBath	$18⅞	18⅝	18¾	
27234	DomTxtA	$17¾	17	17	−⅛
14600	MntTrst	$12½	12½	12½	
54962	NatBk Cda	$11¾	11⅛	11¼	−1
73087	Noverco	$11¾	11⅛	11½	+¼
330820	Power Corp	$14⅝	14¼	14¼	−⅜
67735	Provigo	$08⅞	08½	08½	
8600	Repap Entr	$13⅝	13⅛	13¼	+¼
600	RollandA	$11	11	11	
46226	Royal Bank	$29½	28⅞	28⅞	
2725	SteinbrgA	$28½	27½	28½	+⅞
10642	Videotron	$09¼	08⅞	08⅞	−⅛

Total Sales 6,694,103 shares

OVER-THE-COUNTER *Nasdaq national market, closing prices*

Continued from Page 41

Stock	Sales (Hnds)	High	Low	Last	Chng
RPMs .58	19 470	15	14⅞	15	
RadSys.05e	17 131	8⅝	8½	8¾	
Reeves	17 619	7⅛	6½	6⅞	+¼
RgcyCr	5 1168	1 23-32	1 19-32	1⅝	
RgcyEl .20	26 587	3⅞	3⅝	3⅞	+⅛
Regines	17 126	16¼	15½	15½	−½
RegIBc .08e	6 14	12½	12	12	
Repign	1047	9¼	8¾	9¼	+¾
RepAm .24	11 1510	14½	13⅞	14⅜	+1⅛
ReutrH .86e	1062	60⅝	58¼	59⅝	+⅝
Rexon	10 763	6½	6⅛	6⅜	+⅜
SmithF	13 220	24¼	23½	24	+½
Societys1.20	9 556	33½	32¾	32¾	−¼
SoctySv .36	6 355	14¾	13¾	14¾	+1
SoftwA	12 202	8⅝	8¼	8½	+⅜
SftwPb	12 514	8¾	8¼	8⅜	−⅛
SonocPs .52	15 185	22½	22	22¼	+¼
Sonora	248	5¾	5½	5¾	+1-16
SCarNt .56	9 653	19¾	19¼	19⅝	+⅜
Souret	77 330	13¾	12¾	13⅛	−⅛
SohldSv	899	17¼	17	17⅛	+⅜
Soutrst .60	8 369	19¼	18⅝	19	+½
Sovran 1.44	12 477	34¾	33¾	33⅞	
UTL	11 329	7¾	7¼	7⅜	+⅛
Ungmn	23 810	8⅜	7⅞	7⅞	
Unifi	11 1766	18¾	18	18¼	+¼
UnPlntr .60	38 84	23	22½	22¾	+½
UnSpIC	16 308	21½	20	20	−1¼
UACm .04	206 689	24¾	24	24¾	+1¼
UBCol	24 523	14¾	14⅝	14⅝	
UnCosF .55	7 9	17¾	17¼	17¾	+¼
UHltCr	696	3⅞	3⅝	3⅝	+⅛
UtdSvrs .72	4 78	13¼	12¾	13¼	
USBcp .80	7 2037	21	20½	21	+½
US HltC .16	150 706	6¼	5⅞	6	+⅛
XOMA	1341	13¾	12¾	13	
Xicor	127 346	9⅛	8⅞	8⅞	+⅝
Xidex	1448	7⅛	6¾	7	+⅛
Xylogic	12 32	12	11½	12	+⅛
Xyvsn	18 340	7¼	6¾	6¾	−¼
YlowFs .62	21 1839	29⅞	29⅛	29⅜	
ZionUt 1.44	106	24½	23¼	24½	+⅜
Zondvn	161	9⅝	9¼	9½	−⅛
Zycad	977	4¼	3¾	4¼	+½
USTrst 1	12 1219	38¾	38	38¼	
UStatn .28	18 699	19	18	18¾	+¼
UnTelev	54 79	22½	21¾	21⅞	+⅛
UnvFrs.03e	11 22	13½	13	13	−½
UnvHlt .33e	43 410	4⅞	4⅝	4¾	+⅛
UnvMed.30	9 495	4⅝	4⅜	4 7-16	+1-16

CHIEF LONDON PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES

BAT Inds.	470	+	25
Barclays	488	+	25
Body Shop	765	+	40
Brit. Aerospace	351	+	19
Brit. Airways	162	+	13
Burgess Group	348	+	35
Cable & Wireless	330	+	13
Cadbury Schweppes	252	+	12
Dewhurst	186	+	14
Freemans	311	+	13
GKN	300	+	13
Glaxo	S10	+	¾
ICI	S11½	+	⅞
Jaguar	334	+	16
Ladbroke	349	+	11
Lon & Manchester	270	+	17
Maxwell Comms.	256	+	12
Plaxtons (GB)	166	+	25
Polly Peck	308	+	18
Rank Org.	588	+	27
Reed Intl.	421	+	25
Reuters B	542	+	27
Royal Insurance	428	+	26
Ultramar	185	+	11
United Newspapers	440	+	20
WPP	453	+	50
Warburg (S.G.)	350	+	20

FALLS

Treas. 8¾% 1997	£98⅝	−	½
Ratners	237	−	11
Tip Top Drugstores	113	−	21

TOKYO - Most Active Stocks
Tuesday January 5 1988

	Stocks Traded	Closing Prices	Change on day
Sumitomo Chem	46.70m	913	+33
Sumitomo Heavy Ind	42.25m	463	+14
Fujitsu	42.24m	1,360	+50
Stanley Elec	21.67m	1,180	+140
Nippon Sharyo	16.20m	740	+66
Japan Synthetic Rubber	14.76m	1,100	+30
Aisin Seiki	13.27m	1,240	+40
Nippon Steel	13.16m	361	+2
Kawasaki Steel	11.90m	310	+10
Hitachi Lts	8.60m	1,210	+60

Indices

NEW YORK

DOW JONES

CANADA

NEW YORK ACTIVE STOCKS

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div	Yld	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev Close
25⅝	14	AAR s	.36	1.9	17	155	19	18⅝	18⅞	+⅛
32½	19⅝	AFG s	.16	.6	9	573	27⅛	26¼	26¼	−⅞
27	10½	AGS s			15	960	18⅞	17¾	17¾	
10½	6¼	AMCA				2	7	7	7	+⅛
6⅝	3¼	AM Intl			38	2265	5½	5¼	5¼	+⅛
55½	26¾	AMR			10	6225	36¼	34½	34¾	−1⅛
12⅞	6⅝	ARX s			8	513	8⅛	7⅝	7⅞	+¼
73½	36⅝	ASA	2a	4.0		1221	50⅛	47⅛	49⅞	+2
22⅝	9½	AVX			18	193	15⅝	14¾	14¾	−⅝
67	40	AbtLab	1	2.0	19	5463	50½	49½	49¾	+1⅛
28	15⅜	Abitibi g				591	21¾	21⅛	21½	+⅝
16¾	8½	AcmeC	.40	3.1	18	131	12⅞	12½	12⅞	+½
10½	6½	AcmeE	.32b	3.9	28	48	8¾	8¼	8¼	+⅛
20	14⅛	AdaEx	3.44e	21.		262	16⅝	15¾	16⅛	+⅜
19½	6⅞	AdamMl	.24	2.4	8	143	10½	10	10	−¼
24⅞	7½	AMD				7510	11¼	10⅞	10⅞	+¼
56¾	25¼	AMD pf	3	9.2		67	33	32½	32½	+¾
11⅞	4⅝	Adobe				613	6⅜	5¾	5⅞	
20½	16¼	Adob pf	1.84	11.		33	17	16⅞	17	
15	6⅛	Advest	.12a	1.5	6	248	8⅛	7⅝	8	+½
68¼	43¾	AetnLf	2.76	6.0	6	3203	46½	45¾	45⅞	−¼
83½	36	AhmPb s	.40	.7	9	649	58	55¼	55¼	−½
26⅞	13	Ahmans	.88	5.5	7	3970	16⅝	16	16	−⅜
5⅜	1¾	Aileen				116	2¼	2⅛	2⅛	−⅛
53⅞	29	AirPrd	1	2.4	14	1138	41⅞	40⅞	41	−¼
36	11⅛	AirbFrt	.60	4.1	9	482	15	14½	14½	−½
16½	6¾	Airgas			17	486	11¾	10¾	11¾	+1
19½	13½	AirleaseB	1.16e	14.	9	61	16⅝	16	16	−⅜
15-32	5-16	AlMoan			31	823	11-32	5-16	5-16	−1-32
10¾	7⅝	AlaP	dpf.87	9.4		68	9⅜	9¼	9¼	−⅛
106¼	81½	AlaP pf	9	9.9		2100	90½	90½	90½	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 41

NYSE COMPOSITE CLOSING PRICES

Continued from Page 40

X Y Z

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Ch'ge
65	50	Xerox	3	4.9	13	4333	61¼	59¾	60¾	+1⅝
58¼	52½	Xerox pf5.45		10.		589	53⅝	53½	53½	
31½	19⅞	XTRA	.64	2.7	15	58	23¾	22½	23⅝	+1¼
28¼	19½	XTRA pf1.94		8.3		28	23½	23½	23½	+¾
33⅞	16¾	Yorkln			10	548	25	24¼	24¾	+½
7¼	2¼	Zapata				429	2⅞	2¾	2¾	+⅛
37	13½	Zayre	.40	2.6	6	4387	15¾	15⅜	15⅝	+½
16⅛	8¾	Zemex	.40	4.2	9	7	9¾	9⅝	9⅝	+⅛
33⅝	10	ZenithE				1147	15⅝	15⅛	15⅝	+¼
13½	2½	ZenLab				784	3⅜	3⅛	3⅛	−⅛
26¼	13½	ZenNtl	.80	5.2	8	155	15½	15⅛	15½	+⅜
20⅝	11⅜	Zero	.36	2.4	15	303	15½	15⅛	15¼	+⅛
30¾	15	Zurnin s .88		3.4	13	230	20½	19⅝	19¾	−¼
10⅝	7⅝	Zweig 1.08e		12.		839	9½	9⅜	9⅜	+⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls – sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-divident or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

OVER-THE-COUNTER *Nasdaq national market, closing prices*

Continued on Page 39

FINANCIAL TIMES Wednesday January 6 1988

AMERICA

Sharp advance continues amid healthy turnover

Wall Street

US FINANCIAL markets surged as soon as business got underway yesterday. Investors and traders were responding positively to the dollar's sharp rebound, *writes Janet Bush in New York.*

The Dow Jones Industrial leapt 50 points in the first 15 minutes of trading but it eased back during the rest of the session as profit-taking set in. The index eventually closed near its lows *for the day, 16.25 points higher* at 2,031.50

Volume was healthy, with just over 210m shares changing hands

The US Treasury bond market was also given a strong boost by the dollar's rebound, rising about one percentage point in long-dated maturities shortly after the opening

However, bonds then fell back to a gain of around ⅜ point at midsession in longer-dated maturities, before recovering again towards the close. The US Treasury's 8.875 per cent benchmark issue stood ⅝ point higher in late trading, yielding 8.87 per cent.

The dollar initially extended the gains it made in Japan and Europe in New York trading, reaching highs of Y127.90 and DM1.6335 before slipping back modestly. By the close, the dollar looked well supported above Y127.50 and DM1.6270.

Both equity and bond markets are currently dominated by fluctuations in the dollar. Financial markets have been impressed by the concerted nature of central *bank intervention in support of* the dollar this week.

Not only have the amounts involved been larger than in intervention before the Christmas break, but the banks have ensured their buying is obvious to maximise the impact.

Central banks in Europe and the New York Federal Reserve continued intervening yesterday, albeit in much more modest amounts than on Monday.

However, the fact that they continued to support the dollar while it was rising was regarded as a much more convincing attempt to beat bearish speculators in the currency markets than in recent weeks and was described as a "classic bear squeeze".

Mr Robert Brusca, economist with Nikko Securities in New York, said the financial markets had been giving a vote of confi*dence to the Group of Seven.*

However, Mr Brusca was worried about the extreme volatility in the equity market and expressed concern that share prices had moved higher much too fast to be sustainable.

He said his traders were concerned about 50-point rises taking place within 15 minutes. More steady and sensible buying would be a better sign of the overall health of the market, he explained.

There seems to be what could be called a January effect in the *strength of the market this week.* This is partly fed by expectations of a new year bounce as in years past, but is also caused by the new investment decisions that tend to be made at this time of year.

The dollar's recovery needs to be sustained to give longer-term confidence to overseas investors looking to put money into the US. Many bonuses are handed out in Japan at this time of year, but Mr Brusca said so far he had seen little more than selective buying of US stocks from Japan.

In mid-morning trading, *all 30* stocks in the Dow Jones recorded gains. By the close, International Business Machines was $1⅛ higher at $122⅞, General Electric *had gained $⅛ to $46⅝,* well below its best levels of the day, and Eastman Kodak was up $⅝ at $51⅞.

Sterling Drug was the featured stock of the day. It surged $17¼ to $74⅛ after the news late on Monday that F Hoffman-La Roche had launched a tender offer to acquire the company for *$72 a share or $4.2bn.*

Substantial buying of Sterling Drug spread to other pharmaceutical companies. SmithKline Beckman jumped $4 to $54¼, Eli Lilley was up $2¼ at $82 and Merck gained $2⅞ to $167¼.

American Brands lost a gain of $½ at midsession to close $¼ lower at $48¼. There was strong speculation yesterday that E-II *Holdings would launch a bid for* the company.

E-II said late on Monday that it planned to meet representatives of American Brands; analysts speculated on a bid worth around $55 a share.

Technology stocks were particularly strong during morning trading but, like other sectors, suffered from profit-taking. Nevertheless, *Digital Equipment* closed $1¾ higher at $142⅞, Unisys was up $⅝ at $36 and Cray Research held its early gains to close up $3⅞ at $77⅞.

Canada

TORONTO stocks, buoyed by a stronger US dollar, posted gains for the second day running, but closed below peak levels in active trading.

The composite index, which had risen about 48 points in ear*lier trading, gained 19 to 3238.10.* Advances led declines by five to three on heavy volume of 38.1m shares.

"The American dollar was stronger," said Mr Don Dillistone of Richardson Greenshields of Canada. The firmer dollar had boosted both the bond and equities markets, he said.

Broad gains by heavily weighted blue chips tugged the market higher, with Northern Telecom rising C$½ to C$24. Among other blue chips, Seagram gained C$¼ to C$74¼, Bell Canada Enterprises firmed C$⅛ to C$37⅛ and Canadian Pacific advanced C$¾ to C$22¼.

Golds were mixed, with Lac Minerals firming C$⅛ to C$12⅞, *International Corona dropping* C$2¼ to C$42 and Placer Dome rising C$¾ to C$20.

Energy issues were mostly higher on firmer oil prices, Mr Dillistone said.

Shell Canada climbed C$1¼ to C$37¼, Texaco Canada gained C$⅜ to C$30⅛ and Imperial Oil class A rose C$¾ to C$57½.

SOUTH AFRICA

TRADING remained quiet and cautious in Johannesburg gold shares, which continued depressed as the bullion price remained low in the wake of a firmer dollar.

The gold index opened 20 points down and moved lower – *the result of foreign investors* selling off their overseas holdings of golds overnight. The highest-priced gold stock on the exchange, Vaal Reefs, closed down R15 from R355 and the gold index finished 39 lower at 1,719.

The industrial sector saw better trading, as did the hotel and retail sectors, with investors expecting demand and prices to rise as people returned from the holiday.

In industrials, South African Breweries rose a strong R1.60 to R18. Mining house Anglo-American lost R1.50 to R54.

EUROPE

Currency news sparks strong rally

THERE WAS an enthusiastic welcome from European bourses yesterday for the dollar's rally and the strong overnight advance on Wall Street. Share prices rose sharply from the start *as trading volumes picked up.*

FRANKFURT made solid gains, ending close to its best levels of the day, after the dollar rose by around 3 pfg against the D-Mark. Shares recovered the heavy losses of Monday, with exporting stocks making the biggest leaps in a broad rally aided by strength in the London and Tokyo markets.

The FAZ index closed 14.31, or 3.5 per cent, higher at 419.17 in moderate trading.

Cars went into top gear after Monday's reverses, with Daimler up DM41 at DM573 – a jump of nearly 8 per cent – and BMW gaining DM31.50 to DM460.50, a rise of more than 7 per cent. Porsche was DM27 ahead at DM417 and Continental, the tyre *maker, bounced up DM16, or 8.6* per cent.

There were strong advances in banking, with Deutsche Bank up DM20.50 at DM394 and Commerzbank climbing DM9 to DM213.50. Insurer Allianz jumped by a dizzy DM114, or 11 per cent, to DM1,149.

Chemicals saw BASF and Bayer rise DM14 each to DM243 and DM264, respectively, while electronics leader Siemens added DM22.50 to DM362.50.

Bonds had a mixed day with short maturities gaining on the dollar's recovery but longer-dated issues easing. The Bundes*bank bought DM82.5m worth of* paper after selling DM210.8m on Monday.

PARIS also saw moderate turnover, with prices rising on the stronger dollar but ending off their highs in late profit-taking. The unexpected ¼ point cut in French interest rates came late in the day, having little impact on the market.

The CAC General index gained 8.6 to 283.

The suspension of Pernod-Ricard shares focused attention on the food and drinks sector. The company, which announced it would buy back 5 per cent of its *share capital, was suspended at* FFr684.

BSN was up FFr179 at FFr4,420 and Perrier gained FFr23 to FFr514, while Moet Hennessy was FFr93 higher at FFr1,628.

ZURICH rose strongly across the board, with the Credit Suisse stock index gaining 18.9 to 425.5.

Chemicals were up sharply, with Sandoz jumping SFr1,000 to SFr12,400 and Hoffmann-La Roche, which is bidding for Sterling Drug of the US, climbing SFr575 to SFr9,475.

AMSTERDAM moved higher in fairly active trading.

Among internationals, Akzo put on Fl 4.40 to Fl 89.50 after announcing it had bought a Brazilian paint factory from Hanson Trust of the UK for $22.3m.

BRUSSELS saw active trading on the first day of the new fortnightly session, mostly by small investors. The Brussels general index rose 93.92 to 3702.27.

Chemicals did well, with Solvay gaining BFr550 to BFr9,750. Oil group Petrofina rose BFr540 to BFr8,840.

MILAN had a thin, shortened session before today's Epiphany holiday. Prices rose strongly and Fiat added L230 to L8,410 while Montedison gained L47 to L1,248.

MADRID was also boosted sharply with the general share index closing 8.93 higher at 234.43. Market leader Telefonica gained 18 percentage points to 178 per cent of nominal market value.

STOCKHOLM recovered strongly, buoyed by a fall in Swedish credit market yields as well as international factors.

OSLO rose across the board encouraged by a strong rise in North Sea oil prices and bargain-hunting.

London

THE CONTINUED recovery in the US currency brought strong gains in shares of Britain's dollar-earning companies yesterday, *writes Terry Byland in London.*

Equity turnover increased sharply as the UK investment institutions, frightened away last week by the dollar's weakness, returned to the marketplace.

The value of shares rose by £8.47bn ($15.5bn), and a gain of 42.1 put the FT-SE 100 index at 1,789.6, representing a recovery of 4.5 per cent over the past two trading sessions.

While some analysts expressed lingering doubts over the outlook for the dollar – "the US trade figures, due on January 15, will be crucial", one commented – others believed that the UK market could continue to rally even if the dollar lost momentum. UK institutions are well-provided with cash and are optimistic regarding the outlook for the UK economy.

Norwegian charged over bank share deal

NORWEGIAN POLICE have charged Mr Jan Breivik, a director of Oslo Bank, with insider trading and questionable business practices following summer investigations led by the country's Banking and Securities Exchange Commission, *writes Karen Fossli in Oslo.*

Charges were brought on Monday by police investigator Mr Geir Lerheim who said that discussions with the public prosecutor would be held to determine whether Mr Breivik would be brought to court.

Mr Breivik is accused of trading shares in Bergen's Skillingsbank for his personal account while negotiating the purchase of shares in this bank for Oslo Bank, according to a senior official in the commission.

Mr Breivik, however, said the charges were merely a formality to keep the case alive while evidence was assessed by the authorities. He declined further comment *until a court case decision was made.*

The commission is investigating several other cases involving insider trading and questionable business practices.

ASIA

Nikkei bounces back up on dollar's gains

Tokyo

THE DOLLAR'S rally against the yen and the overnight advance on Wall Street sent share prices sharply higher in Tokyo yesterday, although the market lost some steam towards the close, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei average, which gained 496 in mid-morning, ended 358.24 higher at 21,575.28. Volume climbed back to total 459m shares compared with 182m in half-day trading on Monday, the first session of the year.

Buying enthusiasm gathered momentum in early trading but shrank back later. Many investors are concerned that the market will undergo a correction between February and March following settlement day for a large number of shares bought on margin in August last year.

On the trading floor, situation stocks came into the spotlight. Sumitomo Chemical topped the active list with 46.70m shares changing hands and climbed Y33 to Y913 on investor hopes for its plan to develop an anti-AIDS drug.

Fujitsu, with 42.24m shares traded, finished Y50 higher at Y1,360, while Sumitomo Heavy Industries, with 42.25m shares, gained Y41 to Y463.

Stanley Electric climbed Y140 to Y1,180, supported by rising demand for car parts.

The dollar's rally sparked strong buying interest in high-technology stocks. Hitachi advanced Y60 to Y1,210, NEC Y100 to Y1,970 and Matsushita Electric Industrial Y90 to Y2,120. NTT closed Y40,000 higher at Y2.12m.

Bond prices fluctuated, affected by dealers' speculative trading. After a weak start, they firmed as the dealer section of a major securities house placed buy orders worth about Y100bn, prompting other dealers to step up buying. Selling later resumed, however.

The yield on the benchmark 5.0 per cent government bond, maturing in December 1997, rose sharply to 4.485 per cent from Monday's closing 4.425 per cent before falling back to 4.425 per cent and finishing at 4.450 per cent.

Osaka Securities Exchange (OSE) prices closed higher for the first time in eight trading days.

The 250-issue OSE stock average ended 274.96 higher at 21,711.66 on an estimated volume of 59m shares.

Teikoku Sangyo attracted speculative interest, registering a maximum allowable single-day gain of Y100 to Y883. Omron Tateisi Electronics added Y130 to Y1,980, while Sakai Chemical Industry closed Y30 lower at Y2,200.

Hong Kong

THE RALLIES in Wall Street and Tokyo and the stronger dollar lifted spirits from the opening, as the dented confidence following the arrest of senior stock exchange officials was restored and foreign investors returned to active trading.

The Hang Seng index closed 116.93 up at 2,403.22. Turnover climbed to HK$1.1bn from HK$852m.

The property and utility sectors led the advance with both Sun Hung Kai Properties and Hong Kong Land up 50 cents at HK$9 and HK$7.85, respectively. Hong Kong Telephone rose 80 cents to HK$13.50.

Singapore

BARGAIN-HUNTING by local funds with cash to spare brought sharp price rises for the third successive day, aided by Wall Street's rally and the dollar's improvement.

The Straits Times industrial index closed at 879.32, up 45.71, or 5.5 per cent, making it the biggest single day's rise since the October 19 crash. Turnover *climbed to 47m shares from* Monday's 13m.

Interest centred on lower priced blue chips and quality stocks with City Development up 28 cents at S$2.55 and DBS advancing 65 cents to S$9.65.

Australia

MODERATE trading saw firmer prices, but operators said the market could do better if there were a greater improvement in metal prices and the US dollar.

Industrials rallied but gold stocks retreated further.

The All Ordinaries index closed up 11.9 at 1,309.4 but the gold index fell 27.3 to 2077.4. News Corp rose 50 cents to A$12 and Pacific Dunlop 18 cents to A$3.75.

Olli Virtanen charts the background to new recognition for Finland's stock market

Helsinki's bourse comes of age

THE INTRODUCTION of Finnish shares into the FT-Actuaries World Indices this week marks the end of an era for the Helsinki stock market.

The bourse completes an adolescence characterised by poor liquidity, rocketing prices and rapid increase in turnover.

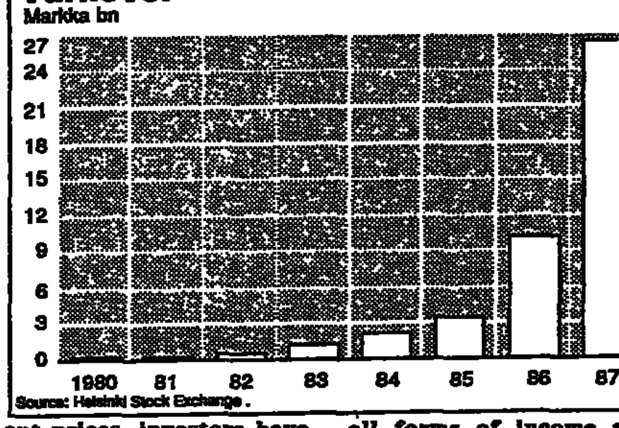
The market capitalisation of the Helsinki Stock Exchange (HSE) rose to FM82bn ($21bn) in December, of which FM13bn consist of shares available to foreign buyers.

Turnover in shares rose by 190 per cent to FM26bn in 1987 and on average every fourth share on the exchange changed hands during the year. Although the October crash wiped out almost one fifth of the market capitalisation on the HSE, share prices still ended the year an average 30 per cent higher than at the beginning of 1987.

Much of that movement may not recur this year. Despite the relatively buoyant prices, investors have not recovered the confidence that prevailed in the pre-crash days.

Helsinki Stock Exchange Share Turnover

Markka bn



Source: Helsinki Stock Exchange

They are waiting cautiously for tax reforms which may have wide-ranging consequences for the stock market. The Government plans to place almost all forms of income and property on the same status tax-wise.

This could, for example, translate into a tax burden for funds and societies which hold about 15 per cent of the market capitalisation of the HSE. Other investors, including individuals, could also be adversely affected.

Analysts like Mr Sakari Tuominen, managing director of KOP-Rahasto, the mutual fund, expect that liquidity may suffer during this period of uncertainty. A key question is what kind of dividend policy companies adopt this spring in the face of the tax reform.

The wait-and-see approach will probably not persist beyond the summer. Finland's economy is still performing exceptionally well compared with other Western European countries. GDP grew 3.5 per cent last year and is not expected to drop much from that in 1988.

Unemployment is at a reasonable 3.7 per cent, while inflation, the biggest worry, is likely to remain under 4 per cent this year.

According to market analysts, the second half of this year will be a period of normalisation, with liquidity and prices back to "normal" levels.

FT-ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY JANUARY 5 1988					MONDAY JANUARY 4 1988			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1987/88 High	1987/88 Low	Year ago (approx)
Australia (93)	103.24	+0.6	83.64	95.79	4.68	102.61	81.09	94.52	180.81	85.36	103.26
Austria (16)	95.51	−2.7	77.37	80.94	2.59	98.18	77.59	80.96	102.87	85.53	98.11
Belgium (48)	102.07	+0.8	82.70	85.84	5.52	101.28	80.04	83.30	134.89	94.63	97.50
Canada (127)	113.83	+0.7	92.22	106.87	2.91	113.01	89.31	106.18	141.78	98.15	102.18
Denmark (38)	113.40	−0.9	91.87	96.51	3.07	114.44	90.44	94.98	124.83	98.18	99.87
Finland (23)	110.39	−2.9	89.43	91.81	1.62	113.63	89.80	93.34	–	–	–
France (124)	85.40	+0.6	69.19	73.71	4.02	84.90	67.09	71.35	121.82	77.39	101.48
West Germany (94)	73.91	+1.2	59.88	62.52	2.98	73.03	57.72	60.18	104.93	68.91	100.32
Hong Kong (46)	92.21	+4.6	74.71	92.17	5.38	88.15	69.67	87.91	158.68	73.92	101.10
Ireland (14)	106.38	+1.7	86.19	91.90	4.93	104.60	82.67	88.18	160.22	93.50	101.32
Italy (94)	76.47	−0.6	61.95	68.39	2.80	76.91	60.78	67.14	112.11	72.04	100.87
Japan (457)	133.61	−2.3	108.25	107.18	0.65	136.69	108.02	106.06	161.28	100.00	102.24
Malaysia (36)	116.51	+4.1	94.39	112.67	3.24	111.87	88.41	107.45	193.64	93.76	99.07
Mexico (14)	103.35	−2.9	83.73	253.68	1.40	106.43	84.11	258.91	422.59	99.72	102.37
Netherland (37)	102.29	+2.9	82.87	85.39	5.27	99.37	78.53	80.84	131.41	87.70	101.44
New Zealand (24)	75.62	−0.3	61.27	61.47	5.35	75.88	59.96	61.28	138.99	73.39	99.61
Norway (24)	107.23	+3.5	86.87	91.94	2.97	103.60	81.88	87.54	185.01	95.51	103.60
Singapore (26)	103.86	+6.0	84.14	96.22	2.52	97.99	77.44	90.40	174.28	81.21	100.87
South Africa (61)	133.03	−1.0	107.77	90.88	4.69	134.38	106.20	91.09	198.09	100.00	103.41
Spain (43)	132.84	+1.5	107.62	111.51	3.78	130.85	103.41	107.56	168.81	100.00	105.28
Sweden (34)	100.22	+3.0	81.20	87.54	2.61	97.35	76.93	83.55	136.64	88.50	101.02
Switzerland (53)	82.32	+1.3	66.69	67.70	2.45	81.24	64.20	64.72	111.11	73.65	101.97
United Kingdom (331)	134.74	−0.1	109.16	109.16	4.27	134.92	106.63	106.63	162.87	99.65	100.19
USA (589)	105.22	+1.1	85.25	105.22	3.51	104.09	82.26	104.09	137.42	91.21	104.58
Europe (973)	104.52	+0.5	84.68	87.10	3.89	104.04	82.22	84.55	130.02	92.25	100.71
Pacific Basin (682)	130.81	−2.0	105.97	105.94	0.89	133.49	105.50	104.74	158.77	100.00	102.21
Euro–Pacific (1655)	120.36	−1.2	97.51	98.37	1.94	121.77	96.23	96.64	143.65	100.00	101.61
North America (716)	105.68	+1.1	85.62	105.33	3.48	104.56	82.63	104.22	137.55	91.68	104.46
Europe Ex. UK (642)	85.80	+1.0	69.51	73.19	3.54	84.92	67.12	70.63	111.97	78.89	100.87
Pacific Ex. Japan (225)	96.98	+2.2	78.57	91.26	4.80	94.92	75.02	88.85	164.03	82.92	101.90
World Ex. US (1857)	120.26	−1.1	97.43	98.69	2.00	121.60	96.10	97.01	143.38	100.00	101.65
World Ex. UK (2115)	112.42	−0.4	91.08	99.99	2.33	112.82	89.16	98.61	138.82	100.00	103.06
World Ex. So. Af. (2385)	114.28	−0.3	92.59	100.91	2.52	114.66	90.62	99.40	139.47	100.00	102.80
World Ex. Japan (1989)	105.21	+0.9	85.24	98.22	3.69	104.31	82.43	96.49	134.22	92.98	103.08
The World Index (2446)	114.40	−0.3	92.69	100.87	2.54	114.79	90.72	99.37	139.73	100.00	102.81

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ index), 90.791 (Pound Sterling) and 94.94 (Local).

Market closed January 4 · New Zealand.